

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		
Name of Individual:	Please indicate if your comments are personal, or represent your organization:	Daphné de Leval - personal comments
Name of organization		Institute of Actuaries in Belgium
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	Please follow the following instructions for filling in the template: <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>	

	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?	
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?	
Q4.	Are there other matters that should be included in this standard? Are there some included here that should not be?	Suggestion to include: <ul style="list-style-type: none"> - 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

	General Comments on the ISAP 4 Exposure Draft	

Comments on specific paragraphs of the ISAP 4 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)
2.1.b.	The <u>entity</u> 's appetite for any risk <u>and risk management system</u> that <u>have</u> s an impact on the measurement under <u>IFRS 17</u>	The risk management system should be included next to products and value creation.

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2.2.2.	2.2.1. In applying <u>ISAP 1</u> paragraph 2.4. Materiality, the <u>actuary's</u> threshold of materiality with respect to the <u>actuarial services</u> should not be greater than the <u>minimum between the entity's</u> threshold of <u>and</u> the auditor's threshold of materiality with respect to the preparation of <u>IFRS</u> financial statements.	Using the word “or” can be dangerous as it is common that auditor's threshold is higher than the entity's materiality. Alternatively, the materiality should depend on the context.
2.5	The <u>actuary</u> should treat the processes of selecting the appropriate measurement approach to be applied to each <u>group of insurance contracts</u> , whether it is the <u>general measurement approach</u> , the <u>premium allocation approach (PAA)</u> or the <u>variable fee approach</u> , as processes to which <u>ISAP 1</u> paragraphs 2.7.	We would expect the GMA and VFA to be key IFRS17 terms indicated in green with a double underscore.
2.6.8.b	When estimating non-recoverable amounts, consider the financial condition of the reinsurer, <u>the existence of collaterals</u> and the extent to which default by one reinsurer may affect the amounts recoverable from other reinsurers	The eventual collaterals should be taken into account.
2.6.9.	When advising the <u>principal</u> or the <u>entity</u> on the <u>estimation of the fulfilment cash flows</u> insurance liabilities in multiple currencies, the <u>actuary</u> should reflect the expected future changes in currency exchange rates and the uncertainty arising from currency fluctuations.	As the effect of currency exchange differences adjusts the CSM, we would use the term “insurance liabilities” instead.
2.6.10	N.A.	We note that no Actuarial Practice is mentioned on the bottom-up approach, whereas it could be very helpful.
2.6.12.c.ii	c. Select a methodology that: i. Uses assumptions that are consistent with those used in the determination of the corresponding estimates of	The methodology should also allow for appropriate diversification effects

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	<p>future cash flows; and</p> <p><u>ii.</u> Is granular enough to reflect the risk differences between the <u>portfolios of insurance contracts</u>;</p> <p>iii. <u>Reflects properly any diversification effects.</u></p>	
2.7.	N.A.	It might be more appropriate to permute paras 2.7.2 and 2.7.1 to start with eligibility criteria.

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)