



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:	Ann Muldoon – comments represent the FRC's view
Name of organization		Financial Reporting Council - UK
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: ⇒ Do not write in the yellow shaded cells	



Deadline: 30 June 2018

	<p>⇒ Write in the white cells</p> <p>⇒ When commenting on a specific paragraph:</p> <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> <p>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?	<p>We are concerned there is a risk that the guidance in ISAP 4 may result in ambiguity due to differences between the wording of the guidance in ISAP 4 and the requirements in IFRS 17. In particular, we feel that section 2.6 contains guidance on topics for which IFRS 17 already sets requirements and provides guidance.</p> <p>Since these topics are already covered in IFRS 17 and understanding IFRS 17 will be supported by an IAN, we have made a number of suggestions</p> <p>Please also see our detailed comments on ISAP 4 below.</p> <p>A further potential source of confusion for users of ISAP 4 is the use of colloquial terminology that is inconsistent with the final version of IFRS 17, e.g. “general measurement approach”.</p> <p>Please see our detailed comments on the Glossary below.</p>
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	<p>We are concerned that there is guidance in ISAP 4 that is already covered in either IFRS 17 or in ISAP 1.</p> <p>Please also see our detailed comments on ISAP 4 and the Glossary below.</p>
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?	<p>Taking into account the other educational material related to IFRS 17 that is being developed by the IAA, including the monographs on discounting and risk adjustment and the IAN, and ISAP 1, we consider that the level of detail could be reduced. We have also identified where we feel guidance should be retained.</p> <p>Please see our detailed comments below.</p>



Q4.	Are there other matters that should be included in this standard? Are there some included here that should not be?	<p>As explained in our detailed comments below, we consider that if the introduction is going to refer to elements of the measurement basis in IFRS 17, it should not only refer to the balance sheet, fulfilment value and contractual service margin but also refer, as a minimum, to the comprehensive income statement and the new bases for calculating revenue and profit or loss. In our detailed comments below we have suggested amending paragraphs 3 and 4 to be consistent with IFRS 17 IN1.</p> <p>Some of the guidance in ISAP 4 broader application to actuarial services in relation to financial reporting e.g. work in relation to IFRS 9, for example paragraph 2.6.2 of ISAP 4. We consider such guidance may be better placed in ISAP 1 or in a standard that is specific to actuarial work for financial reporting, so its application is not limited to IFRS 17.</p>
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	General Comments on the ISAP 4 Exposure Draft	
	<p>ISAP 1 sets out the fundamental principles actuaries follow to achieve appropriate standards of quality for all actuarial services. IFRS 17 sets out in some detail the specific requirements that actuaries will need to apply to actuarial services performed in relation to IFRS 17. Consequently ISAP 4 should be a relatively short standard identifying the small number of areas that actuaries may need to consider for work in relation to IFRS 17, which are not explicitly covered in either ISAP 1 or IFRS 17 or by considering these two standards together. We consider that paragraph 2.2 and paragraph 2.6.2 of ISAP 4 are good examples of such areas and should be included in ISAP 4. Please see our detailed comments below.</p> <p>We found that we spent significant effort trying to understand the rationale for the guidance in ISAP 4 after considering the guidance of ISAP 1 and the requirements in IFRS 17. It would have been helpful if the exposure draft had been supported by a document setting out the rationale for each point of guidance included.</p>	



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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)
	<p>Replace</p> <p>“As described by the IASB in their Project Summary of May 2017, IFRS 17 ‘requires a company that issues insurance contracts to report them on the balance sheet as the total of:</p> <p>a. The fulfilment cash flows – the current estimate of amounts that the insurer expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those cash flows; and</p> <p>b. The contractual service margin (CSM) – the expected profit for providing future insurance coverage (i.e. unearned profit).’</p> <p>An entity which reports financial statements under IFRS is responsible for all the information reported in its International Financial Reporting Standards (IFRS) financial statements. This means it is responsible for identification, recognition and derecognition and classification of contracts, the choice of measurement approach and assumptions, the measurement calculations and disclosures in the IFRS financial statements.”</p>	<p>We consider that there is a risk that the 3rd paragraph in the introduction to ISAP 4 gives the impression that IFRS 17 is only about balance sheet reporting, which of course is not the case, as it also covers the income statement and all the supporting disclosures.</p> <p>We understand the wording was taken from one of the IASB’s project summaries, but we suggest that the wording in IFRS 17 Paragraph IN1 would be more appropriate.</p> <p>The wording in the 4th paragraph of ISAP 4 is helpful but is consistent with part of the wording in IFRS 17 IN1 so if IN1 is used instead the 4th paragraph of the introduction is no longer required.</p>



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)
	<p>With</p> <p>“IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.”</p>	
Paragraph 1.2	This paragraph is a good and helpful paragraph – keep this wording	We consider that this paragraph clarifies the application of ISAP 4.
Paragraph 2.6.1 a	<p>Replace</p> <p>“2.6.1.a. For the purpose of setting assumptions, consider disaggregating <u>insurance contracts</u> into <u>separate</u> coverages with similar risks based on the nature of the insurance obligation”;</p> <p>with</p>	<p>We recognise that aggregation is a complex topic in IFRS 17 and that actuaries should consider the level of aggregation at which it is appropriate to set assumptions.</p> <p>However, we consider that the terms are not used in a consistent manner as IFRS 17 and therefore suggest that 2.6.1.a is reworded.</p>



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)
	“2.6.1.a. Actuaries should consider the appropriate level of aggregation for the purpose of setting each assumption”.	
Paragraph 2.6.1 b.	Replace “Be aware that current pricing assumptions may not be appropriate for IFRS 17 purposes;” with “Be aware that assumptions <i>developed for other relevant contexts, for example current pricing assumptions</i> , may not be appropriate for IFRS 17 purposes;”	We suggest that this point is broader than consideration of current pricing assumptions. Given the similarity of the basis, actuaries may also seek to rely on work done for regulatory reporting such as Solvency II or other risk modelling and those assumptions may also not be appropriate for IFRS 17.
Paragraph 2.6.1.c	We suggest this paragraph is deleted.	We consider that this guidance is already covered by ISAP 1 2.7.6 and we are unclear as to what additional points are specific for IFRS17 that would not apply to other financial reporting exercises already covered by ISAP1.
Paragraph 2.6.1.d	We suggest this paragraph is deleted.	We consider that this guidance is covered in IFRS 17 paragraphs B37-B41 which explain the requirement of paragraph 33(a). While the term “asymmetrical distribution” is not used explicitly in these paragraphs it is difficult to see how an actuary would conclude that an asymmetric distribution could be ignored. It is best to read all the paragraphs, but the following are examples of the key relevant points in IFRS 17:



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)
		<ul style="list-style-type: none"> • paragraph 33a specifically requires that the estimate includes the full range of possible outcomes; and • paragraph B39 requires that the estimate considers the full range of possible outcomes, with the objective to incorporate all reasonable and supportable information, • paragraph B40 requires the inclusions of unbiased estimates of the probability of catastrophic losses under existing contracts.
Paragraph 2.6.1.e	We suggest this paragraph is deleted.	<p>We consider that this guidance appears to be advocating the use of a specific technique for managing the underlying data. However, we consider that the underlying principle is already covered by ISAP 1 and IFRS 17.</p> <p>In particular, ISAP 1 paragraph 2.7.1 says the actuary should consider “to what extent it is appropriate” to adjust assumptions and methodology for known deficiencies in the available data.</p> <p>Further, IFRS 17 paragraph B41 (c) requires that historical data is adjusted to reflect current data and specifies considerations in relation to the characteristics of the insured population, historical trends and the insurer’s procedures.</p>
Paragraph 2.6.1.f	We suggest this paragraph is deleted.	<p>We consider that IFRS 17 already covers the need to consider anti-selection. For example, paragraph B41 requires that historical data is adjusted to reflect where “<i>the characteristics of the insured population differ (or will differ, for example, because of adverse selection) from</i></p>



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)
		<i>those of the population that has been used as a basis for the historical data</i> ".
Paragraph 2.6.2	We consider this paragraph is helpful and that this point should be retained in ISAP 4.	<p>We consider that this is a key point.</p> <p>A change in accounting estimates is a normal part of financial reporting but a change in accounting policy has more significant consequences requiring restatement of previously reported financial information. IFRS 17 is not a standalone standard but is applied in the context of other standards.</p> <p>The point made in paragraph 2.6.2 of ISAP 4 is covered in other IAS (International Accounting Standards) and IFRS. It is potentially unreasonable to expect actuaries to be familiar with all these other standards, so we consider that including this key point in ISAP 4 is helpful.</p>



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)
Paragraph 2.6.3	<p>Replace:</p> <p>Paragraph 2.6.3 (including all the sub-paragraphs)</p> <p>With:</p> <p>“When advising the principal or the entity on any valuations, assumptions or judgements relating to the application of IFRS 17, the actuary should consider all the relevant factors associated with the insurance contracts that, individually or in combination, may have a material impact on the amount, likelihood or variability of the cash flows arising in respect of those contracts, in the context of the requirements and guidance set out in IFRS 17.”</p>	<p>We are unclear why the standard should include guidance on Insurance Risks only and not all other risks. We are also unsure why this particular guidance is specific to IFRS 17 and suggest that it is also relevant for all financial reporting exercises.</p> <p>We consider that most of the points identified in the sub-paragraphs are already included in IFRS17, as explained in the following rows.</p>
Paragraph 2.6.3.a	<p>We suggest that 2.6.3.a is replaced as suggested in the row above. However, if it is not replaced:</p> <p>Replace “Characteristics of the <u>insurance risk</u>,” with “Characteristics of the <u>insurance contracts</u>,”</p>	<p>We consider that IFRS 17 refers to the “characteristics of the insurance contracts” or the “characteristics of the insured population e.g. IFRS 17 paragraphs 33(a), B41(b), B41(c)(i) B50(a), B56(b), B78, B80 and B81. These references cover both financial and non-financial aspects of measuring insurance contracts. Therefore, we suggest that the wording is amended to reflect IFRS17 terminology, “characteristics of the insurance contracts”.</p>
Paragraph 2.6.3.b	<p>We suggest this paragraph is deleted.</p>	<p>We consider that this guidance is covered in IFRS 17 paragraph B56(b), and that it should therefore be deleted.</p>



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)
Paragraph 2.6.3.c	We suggest this paragraph is deleted.	We consider that this guidance is covered in IFRS 17 paragraph B41, which covers the use of historical information and how it should be adjusted to reflect current conditions. Further B62 specifically requires consideration of how features of the contract, including options, could affect the future cash flows compared with past experience.
Paragraph 2.6.3.d	We suggest this paragraph is deleted.	We consider that this guidance is covered in IFRS 17 paragraph B41(c). Inflation rate assumptions are also specifically mentioned in several places in IFRS 17 e.g. paragraphs B51, B59 and B128, as they need to be consistent with market variables.
Paragraph 2.6.3.e	We suggest this paragraph is deleted. If not deleted, we suggest that “extreme events” is changed to refer to “catastrophic losses”.	We suggest that the term “extreme events” is referred to in IFRS 17 as “catastrophic losses” and suggest that ISAP 4 should use consistent terminology as IFRS 17. However, we also consider that this guidance is covered in IFRS 17 B40.



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)
Paragraph 2.6.3.f	We suggest this paragraph is deleted.	<p>We consider that IFRS 17 requires that the estimates of future cash flows reflect the perspective of the entity (IFRS 17 paragraph 33 (b)) using historical data about the entity's own experience and reflecting changes in items such as underwriting procedures and claims management (IFRS 17 paragraph B41). The use of internal mortality statistics is specifically covered in IFRS 17 paragraph B50(b).</p> <p>In relation to the final point in 2.6.3 on external factors, we are not clear why this is particularly relevant to IFRS 17 rather than guidance that is relevant for setting assumptions in ISAP1. Therefore, we suggest that this additional guidance is deleted.</p>
Paragraph 2.6.4	<p>We suggest changing the initial wording of 2.6.4 (a)</p> <p>Replace</p> <p><i>"Sophistication of the policyholder"</i></p> <p>With</p> <p><i>"Likely behaviour of the policyholder"</i></p>	<p>We consider that the use of the term "Sophistication" could be misinterpreted as treating policyholders differently in an inappropriate manner, so we suggest that a more appropriate term is used to capture the point.</p>



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<p>Paragraph 2.6.5</p>	<p>Replace:</p> <p>“ 2.6.5. Maintenance Expenses – When advising the principal or the entity on the projection of cash flows for maintenance expenses, the actuary should consider relevant factors including the following:</p> <p>a. The entity’s cost-accounting and expense allocation policies;</p> <p>b. Expenses expected to arise from fulfilling obligations existing on the measurement date. This estimate should consider the entity’s past expenses and the likelihood of the realization of business plans; and</p> <p>c. Any outsourcing arrangements.”</p> <p>With:</p> <p>“2.6.5 Costs - When advising the principal or the entity on the projection of cash flows for costs, the actuary should consider relevant factors including the following:</p> <p>a) The entity’s cost accounting and expense allocation policies related to IFRS 17</p> <p>b) Terms of outsourcing arrangements”</p>	<p>We consider that the term “Maintenance expenses” is not a recognised term in IFRS17 but IFRS 17 Paragraphs B65 and B66 both refer to costs. B65 describes many different costs and B66 refers to different costs. It is unclear whether the term Maintenance Expenses is intended to cover all of these or just a sub-set</p> <p>We agree that it is helpful that the actuary is reminded of the need to adhere to the relevant policies.</p> <p>We consider that it may be helpful to explain why outsourcing arrangements need to be considered separately.</p>
<p>Paragraph 2.6.6</p>	<p>We suggest this paragraph is deleted.</p>	<p>We consider that this guidance appears to be attempting to paraphrase the requirements set out in IFRS 17 paragraphs 36 and B72-B85, particularly picking up on paragraph B74. We consider that there is a</p>



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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)
		risk that this paragraph could be considered to be an interpretation of the requirements in IFRS 17.



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)
Paragraph 2.6.7	<p>Replace:</p> <p>“2.6.7. Entity Discretion – When advising the principal or the entity on assumptions to reflect entity discretion, the actuary should take into account expectations or limitations that may arise from sources such as:</p> <ol style="list-style-type: none"> The entity's marketing and promotional materials; The entity's past practices insofar as relevant for the future; The entity's current policy; Market practices; and Rulings of relevant authorities.” <p>With:</p> <p>“When advising the <u>principal</u> or the <u>entity</u> on assumptions to reflect <u>entity</u> discretion, the <u>actuary</u> should take into account expectations or limitations that may arise from the guidance in IFRS 17, paragraph 2.”</p>	<p>We consider that this guidance is implicitly covered in IFRS 17 paragraph 2. However, we consider that it may be helpful to remind actuaries of the relevance of the points made in IFRS 17 paragraph 2 when advising the principal or the entity on entity discretion.</p>



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)
Paragraph 2.6.8	We suggest that it is made clear whether 2.6.8 applies to reinsurance contracts held or if it also applies to “insurance contracts” as defined in IFRS 17, which includes reinsurance contracts issued.	<p>We are unclear whether this guidance applies to all reinsurance contracts or only reinsurance contracts held. We suggest that this is clarified as IFRS 17 makes a distinction for reinsurance contracts held. All the points except 2.6.8.c. could apply to reinsurance contracts issued and held.</p> <p>We consider that the guidance in paragraph 2.6.8 provides helpful reminders for actuaries when conducting a reinsurance valuation. It is unclear why these points should be particularly significant for IFRS 17 rather than for all financial reporting exercises and therefore could be included in ISAP1 rather than ISAP 4.</p>
Paragraph 2.6.9	We suggest that 2.6.9 is deleted.	This paragraph appears to be setting additional requirements to IFRS 17. We are unclear which part of IFRS 17 this guidance refers to. IFRS 17 does not appear to explicitly require consideration of the impact of changes in future currency exchange rates. Rather it is required that this is considered implicitly within the assessment of the discount rate, which should be consistent with observable market requirements.
Paragraph 2.6.10	We suggest that 2.6.10 is deleted.	We consider that this guidance is covering points set out in IFRS 17 Paragraphs B72 – B85 and therefore we suggest that it should be deleted. We also consider that 2.6.10 appears to paraphrase the more complex requirements in IFRS 17. This wording could lead to confusion.



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)
Paragraph 2.6.11	We suggest that 2.6.11 is deleted.	<p>We consider that if the guidance in the earlier paragraph 2.6.5 is amended to reference to all costs then there will be no need for this paragraph.</p> <p>In addition, we consider that the guidance on consistency is covered by ISAP 1 2.7.6 and that the Basis for Conclusion paper BC181 to BC184 provides additional guidance.</p>
Paragraph 2.6.12.a	We suggest this paragraph is deleted.	<p>We consider that paragraph 2.6.12 appears to be interpreting IFRS 17 and creating more onerous requirements.</p> <p>In relation to sub-paragraph a) we do not consider it necessary to include this guidance. While it would be difficult to satisfy the requirements of IFRS 17 if you did not <i>understand</i> the risks you were measuring we do not consider it necessary to explicitly <i>identify</i> those risks where they are implicitly included in the data, methodology and assumptions used.</p>
Paragraph 2.6.12.b.i	We suggest this paragraph is deleted.	We consider this guidance is covered in IFRS 17 paragraph B88 a)
Paragraph 2.6.12.b.ii	We suggest this paragraph is retained in ISAP 4.	We consider this guidance appears to be educational material additional to IFRS 17, which is helpful.



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)
Paragraph 2.6.12.c	We suggest this paragraph is deleted.	We consider this guidance is creating additional requirements to IFRS 17 and should be deleted. This paragraph appears to be paraphrasing IFRS 17, which may lead to confusion and potentially could be regarded as an interpretation of IFRS 17. For example, the purpose of the reference to “portfolios of insurance contracts” is unclear since IFRS 17 refers to “the measurement of a group of insurance contracts” (e.g. IFRS 17 paragraph 33), which are then adjusted for the risk adjustment (IFRS 17, paragraph 37).
Paragraph 2.6.12.d	We suggest this paragraph is deleted.	We consider it is unclear what this is referring to in relation to the risk adjustment compared with what would be covered by the variable fee approach. This wording could lead to confusion.
Paragraph 2.6.12.e	We suggest this paragraph is deleted.	We are unclear whether this point refers to the calculation of the risk adjustment in respect of the insurance contracts or reinsurance held. We consider that there is a risk that this guidance is an interpretation of IFRS 17 rather than explaining an application.
Paragraph 2.6.12.f	We suggest this paragraph is deleted.	Our understanding of point f) is that it is meant to be a sense check on the results of calculating the risk adjustment for business issued and the risk adjustment for reinsurance contracts held. However, we consider that it could be interpreted to imply that the objective is to assess the net risk adjustment, as is the case for Solvency II, for example, but this is not the case for IFRS 17. We consider that the inconsistent wording of this point compared with IFRS 17 could lead to confusion.



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)
Paragraph 2.6.12.g.i	We suggest this paragraph is deleted.	We consider that this point is captured by IFRS 17 paragraph B88 (a).
Paragraph 2.6.12.g.ii	Replace: "The inherent uncertainty in the translation to a confidence level and the need to disclose such uncertainty in the actuary's report" With: "The inherent uncertainty in the translation to a confidence level and the need to disclose and describe such uncertainty in the actuary's report"	We consider point g(ii) appears to be a helpful clarification of the requirements of ISAP 1 in respect of IFRS 17. We suggest the addition of the requirement for the actuary to also describe the uncertainty rather than simply disclose that it exists.
Paragraph 2.6.13	No change	We consider that this paragraph is a clarification of the application of ISAP 1 in relation to IFRS 17 and so is helpful.
Paragraph 2.6.14	We suggest that paragraph 2.6.14 is deleted.	We consider that this guidance appears to be covered by IFRS 17, paragraphs 39 and B93-B95 and ISAP 1. We consider that this alternative wording could be confusing.
Paragraph 2.7	No change	



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)
Paragraph 2.8	<p>We suggest this paragraph is re-worded:</p> <p>Replace</p> <p>In using the variable fee approach, the actuary should determine the fulfilment cashflows in accordance with guidance in paragraph 2.6, except for 2.6.8 (reinsurance)</p> <p>With</p> <p>The guidance in paragraph 2.6, except for 2.6.8 (reinsurance) also applies to the measurement of the insurance contracts to which the variable fee approach applies (as set out in IFRS 17 paragraph 45 and B101-B118).</p>	<p>We consider that IFRS 17 paragraph 71 does not only refer to the fulfilment cashflows and so suggest a more general scope (e.g. we would expect that the guidance in 2.6.13 would still apply).</p> <p>However, we recognise that this guidance is aiming to reinforce that the guidance in paragraph 2.6 applies to the measurement of investment contracts with discretionary participation features.</p> <p>We also consider that starting the sentence in the manner “in using the variable fee approach...” could suggest that this is a recognised term used in IFRS 17, which is not the case.</p> <p>We have therefore suggested a re-wording to capture the breadth of application using wording that is consistent with IFRS 17.</p>



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)
Paragraph 2.9	We suggest deleting 2.9.2.	<p>We consider that the guidance in this paragraph could be difficult to satisfy.</p> <p>For example:</p> <p>It is unclear how the timing of the different reporting would apply e.g. the actuary's report could be finalised as part of the approval of "the numbers" and this could be much earlier than the finalisation of presentations and disclosures.</p> <p>Is the actuary expected to re-write their report and re-present to Board?</p> <p>Is the actuary expected to review all of the disclosures and presentations to ensure that they are disclosed?</p> <p>Is this point not more appropriately covered by "speaking up" requirements in a code of conduct?</p>



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)
Paragraph 2.10	<p>Replace</p> <p>“d. The method used to adjust past known interest rates to achieve the rates that represent the characteristics of the insurance contracts”</p> <p>With</p> <p>“d. The method used to adjust past known interest rates to achieve the rates that reflect the characteristics of the insurance contracts”</p>	<p>Change the word “represent” to “reflect” as this is more consistent with the language in IFRS 17.</p> <p>We do not suggest making any other changes to paragraph 2.10.</p>
Paragraph 3.1	<p>Replace</p> <p>“3.1 Disclosures in the Report”</p> <p>with</p> <p>“3.1 Communication in relation to IFRS 17”</p>	<p>We consider that there is a risk that ISAP 4 is creating a requirement for the actuary to always produce an internal report even though this is not required by ISAP 1 paragraph 3.2</p> <p>We therefore suggest that the guidance is slightly re-worded so that it is clear that this guidance is clarifying how to apply the Communications requirements of ISAP 1 and 1A to IFRS 17.</p>



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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 (ISAP 4)	<p>Option 1: delete this term entirely and remove all references from ISAP 4.</p> <p>Option 2: Change Glossary to say, “General Measurement Approach (ISAP 4) – This term is used in ISAP 4 to refer to the basis for measuring insurance contracts as set out in IFRS 17 paragraphs 32-52 based on the valuation of fulfilment cash flows and a contractual service margin, which applies to all insurance contracts. In some circumstances IFRS 17 permits use of a simplified approach: the Premium Allocation Approach. For contracts with discretionary participating features, the valuation of insurance contracts using the General Measurement Approach may be adjusted by the Variable Fee.</p>	<p>We consider that the term “General Measurement Approach” isn’t used in IFRS 17 so, if the term is used, the Glossary should be clear that this term has been developed for ISAP 4 rather than that it has been taken from IFRS 17.</p> <p>The definition as written is may be misleading as it implies that the “General Measurement Approach”, Premiums Allocation Approach and the Variable Fee “Approach” are alternative measurement bases. Rather the “General Measurement Approach” applies to all insurance contracts, however, in some specified circumstances it is permitted to use the Premium Allocation Approach as a simplification to approximate the “General Measurement Approach”. The Variable Fee Approach is an adjustment to the contractual service margin based on the fulfilment cash flows for future service and the fair value of underlying items, which may be used for some groups of contracts with discretionary participating features.</p> <p>Note the term “Variable Fee Approach” does not exist in IFRS 17 so if used in ISAP 4 it would be</p>



Deadline: 30 June 2018

		<p>helpful if it was defined in the ISAP Glossary – see below.</p> <p>We consider our suggested change Option 1 is preferable, but Option 2 may be easier to apply.</p>
Variable Fee Approach (ISAP 4)	<p>Option 1: Delete this term from the Glossary and redraft ISAP 4 and the Glossary to use the term “Variable Fee” which is used in IFRS 17 rather than the term “Variable Fee Approach”.</p> <p>Option 2: Change Glossary to say, “Variable Fee Approach (ISAP 4) – This term is used in ISAP 4 to refer to the adjustment that may be made to the valuation of insurance contracts with direct participation features, as set out in IFRS 17 paragraph 45.</p>	<p>Variable Fee Approach isn’t used as a term in IFRS 17. To avoid confusion, it would help if the ISAP Glossary could make clear this term has been developed for ISAP 4. Alternatively, ISAP 4 should refer to “Variable Fee” which is used once in IFRS 17.</p> <p>We consider our suggested change Option 1 is preferable, but Option 2 may be easier to apply.</p>