**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: | **Stefan Engeländer – Personal comment** |
| Name of organization | | **KPMG, Co-Vice Chair IAC** |
| 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 | Please follow the following instructions for filling in the template:<br>⇨ Do **not** write in the yellow shaded cells<br>⇨ Write in the white cells<br>⇨ When commenting on a specific paragraph:<br>○ Please use a separate row for each paragraph, sub paragraph, or bullet.<br>○ Please include the full reference in the first column such as "Introduction 3rd paragraph 2nd bullet" or "2.6.1.b.ii"<br>○ Please insert/append extra rows as needed.<br>**Please send the completed template, renamed with the organization's or individual's name, attached in Word Format, to ISAP4.comments@actuaries.org** | |

| | **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? | It becomes ambiguous due to rephrasing binding IFRS 17 guidance. |
| Q2. | Is the guidance sufficient and appropriate? If not, how should it be changed? | It should focus more on actuarial contributions to the quality of the report less to simple compliance with accounting guidance (see examples below referring to Proposed additions”).. |
| 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? | Parts simply rephrasing (i.e. repeating) IFRS guidance is to much detail distracting attention from actual actuarial guidance. |
| Q4. | Are there other matters that should be included in this standard? Are there some included here that should not be? | Simple rephrasing (repeating) of accounting guidance should be omitted. |

| | **General Comments on the ISAP 4 Exposure Draft** | |
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| | At some places, the draft mixes actuarial guidance with accounting guidance which is in the authority of the IASB. Particularly IFRS 17 requirements are rephrased without noting the fact. Rephrasing causes the risk that minor differences in wording could result in different interpretation. Repeating IFRS 17 guidance without reference to IFRS 17 causes the risk that the actuary might believe that the compliance with the guidance is subject to actuarial professionalism rules, not to accounting requirements. Hence, an ISAP should repeat IFRS guidance, if at all, only in proper citations clarifying the authority of the guidance by reference to the respective IFRS paragraph. Paragraphs which do nothing else than repeating binding IFRS 17 guidance are superfluous and distract the attention from actual additional actuarial guidance.<br><br>That applies particularly to following paragraphs: 2.6.6, 2.6.9, 2.6.10 a., 2.6.10 b., 2.6.12 b. i., 2.6.12 b. ii., 2.6.12 c. i. 2.6.12 d., 2.6.12 f., 2.6.12. g. i., 2.6.14, 2.7.2, 2.7.2 a., 2.7.3, 2.8, 2.9.3 | |

| 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)** |
| **2.4. c.** | **Adjust to refer to addition of contracts to GIC and begin of the their consideratiaon in measurement of the GIC** | IFRS 17.25 does not refer to the recognition of insurance contracts but to the recognition of GICs. However, actually IFRS 17.25 is worded wrongly but is intended refers to the date at which insurance contracts are initially considered in measuring GICs. The IASB decided to change in its June Meeting the wording of IFRS 17.28 referring to the "inclusion" or "addition" of contracts in the accounting for a GIC. It is therefore recommendable to refer to the wording properly, i.e. recognition of GICs and inclusion/addition of contracts in the recognition/measurement of GICs. |
| **2.6.1. c.** | **Omit** | There is no such general requirement in IFRS and there may be good reasons not to do so. This is an accounting, not an actuarial decision. |
| **2.6.5. a.** | **Omit** | Whether assumptions for future cost need to be consistent with current cost accounting is an issue of accounting judgement (e.g. if the entity applies an accounting for incurred cost to comply with statutory requirements), not an actuarial decision. |
| **2.6.6. a.** | **Omit** | This is obviously a rephrasing of IFRS 17.B74 (b) (i) ignoring that there is as well the choice in |

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| | | IFRS 17.B74 (b) (ii). The accounting policy choice should not be interfered by the actuarial profession. All guidance here is guidance subject to accounting advice and accounting policy. |
| **2.6.12. c. ii.** | **You may refer to GICs or to assumptions applied to differentiate the measurement between GICs.** | The PIC has no relevance for measurement, and particularly not for the risk adjustment. In early drafts years ago in the project, the PIC was the unit of account for the risk adjustment but that was not included in IFRS 17. Today, the PIC is only one of the aspects in deciding whether two newly written contracts are permitted to be grouped together in one and the same GIC. |
| **2.7.2. a.** | **Omit** | These considerations are subject to accounting guidance and not required by IFRS 17. The criteria in IFRS 17.53 do not refer to specific effects in P&L as long as the carrying amount of the LRC measured under the PAA is not materially differing from that measured under the GAM. Materiality is determined in proportion to the carrying amount, not in proportion to its movements. |
| **2.7.3.** | **Refer to intervals as determined by the preparer.** | This weakens the accounting requirements – the review is required at each reporting date, and permanently in case of contracts issued but not yet recognized. It is an accounting decision to demand less strict frequency. |
| **2.6.13. b.** | **Omit** | Individual contracts are only allocated to PICs at the initial recognition of each contract ad the PICs are defined on that date, there is no general split of the business in PICs and general split of |

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| | | portfolios into GICs. The definition of PICs can change over time and GICs established in the past, which cannot be reviewed subsequently, may belong to several PICs as they are defined currently. The wording of IFRS 17.14 might be understood to indicate the need to identify PICs but since this process has no other consequence to the report than in grouping new contracts, there is no need to identify PICs other than for deciding whether two new contracts can be grouped together in one GIC. The wording of 2.6.13 causes the impression as if the entity has to have a process that permanently splits the entire business in PICs and those subdivided in GICs. There is no such need in complying with IFRS 17 and it might be even impossible if the definition of PICs has changed. |
| **2.4. b.** | **Addition: “particularly the identification of derivatives embedded in the insurance contract to be separated”** | The actuarial profession, considering the insight of actuaries in the products, can contribute to the objective to identify derivatives embedded in insurance contracts which might be required to be separated and we should encourate actuaries to care for that topic. |
| **2.4. e.** | **Addition “investment components, both, distinct and non-distinct”** | As before regarding investment components |

| Comments on specific definitions in the Exposure Draft of the updated Glossary<br><br>Note that only the proposed revisions are open for comment | | |
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| **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** | | The term chosen is unusual. IASB itself refers to "general model" (model not approach) or "general accounting model" (since it does not refer only to measurement but to all aspects of accounting). Further, it is hard to define such a model precisely. E.g. would the approach applied for reinsurance held and investment contracts with DPF be included? Presentation approaches for OCI, particularly peculiarities of indirect par etc.? Better refer to "general measurement model" according to the general principles as outlined in IFRS 17.32-44. |
| **IFRS 17** | **Omit reference to IFRIC** | The reference to IFRIC is very proactive. Thereis no expectation of an IFRIC for long years. In addition, they form an own volume of work and should not be combined with the reference to IFRS 17. More important are connections of IFRS 17 with other IFRSs, since an IFRS must not be applied in isolation. |
| **Variable Fee Approach** | **Omit** | It is just mentioned three times (except in headings) and it would be sufficient these three times to refer to insurance contracts with direct participation features, the IFRS 17 term, as elsewhere, without the need to introduce a new defined term. |