



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:	These comments represent the views of the Society of Actuaries in Ireland
Name of organization		Society of Actuaries in Ireland
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	Comments should not be treated as 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
Q1.	Is the guidance clear and unambiguous? If not, how should it be changed?	In general we found the guidance to be clear and unambiguous. See our comments below on paragraphs where further clarity on specific aspects of the guidance should be provided.
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	In general, we found the guidance to be sufficient and appropriate. See our comments below on specific sections of the guidance note.
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?	See our comments below on specific sections of the guidance note.
Q4.	Are there other matters that should be included in this standard? Are there some included here that should not be?	See our comments below on specific sections of the guidance note. Possibly some guidance on economic scenario generators for IFRS 17 could be considered.

	General Comments on the ISAP 4 Exposure Draft
	<ol style="list-style-type: none"> 1. A section on applying expert judgement should be included in the guidance note, or alternatively refer to other guidance on expert judgement which should be followed when applying the standard. 2. We note that that there is no reference to having consistency of methodology and assumptions between IFRS 17 and the basis for prudential solvency reporting, if appropriate



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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)
Introduction	<p>The wording in bold should be added to the following sentence:</p> <p>“This means it is responsible for identification, aggregation, recognition and derecognition and classification of contracts, the choice of measurement approach and assumptions, the measurement calculations and disclosures in the <u>IFRS</u> financial statements.”</p> <p>This change should be carried through into further sections of the ISAP as appropriate.</p>	Aggregation of results for different contracts may be one of the Actuary’s responsibilities
Section 2.4 (b)	This section reads: “Separation of components from an insurance contract”. The text should clarify if this refers to investment components or all components as defined by the standard.	Proposed change would better clarify the intended meaning of the current wording
Section 2.6.1	<p>We suggest adding the wording in bold to the initial sentence:</p> <p>"When advising the principal or the entity on actuarial assumptions, the actuary should consider areas such as the following:"</p> <p>This would require some additional wording changes to the list which follows.</p>	Proposed change would clarify that the list following is not exhaustive.
Section 2.6.1 b.	<p>We suggest adding the wording in bold to the following sentence:</p> <p>“b. Be aware that current pricing assumptions may not necessarily be appropriate for IFRS17 purposes;”</p>	



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Section 2.6.2	The wording in this section should be clarified so that it is clearer that it relates to changes in the approach/methodology to setting assumptions rather than standard updates to assumptions resulting from a fixed methodology.	Proposed change would better clarify the intended meaning of the current wording
Section 2.6.3	A further bullet should be added to the existing list with wording such as “Any other factors which could result in changes in expected future experience”	
Section 2.6.3	A further bullet should be added which states that any future expected management actions should be considered when setting assumptions. Any wording would ideally include guidance on the use of such management actions for example, board approval, or consistency with the regulatory reporting requirements if appropriate	Management actions are, in some regulatory regimes, considered when setting assumptions or when calculating insurance contract liabilities
Section 2.6.4 (a)	The wording in bold should be added to the following sentence: “ Financial sophistication of the policyholder, as well as the relative advantages, to the policyholder, or exercising any options”	Proposed change would better clarify the intended meaning of the current wording
Section 2.6.4 (c)	The wording in bold should be added to the following sentence: “Significant scheduled changes in benefits, terms and conditions or charges ”	
Section 2.6.6	Wording should be added to clarify whether this relates to direct participating contracts, contracts with discretionary participating features or to both	Proposed change would better clarify the intended meaning of the current wording
Section 2.6.6 (a)	The wording in this section should be moved to section 2.6.10	It may be easier for the reader if all guidance around the calculation of discount rates was in one place within the document
Section 2.6.6 (a)	The wording in this section should be expanded to cover the use of real world or risk neutral returns to forecast future returns on assets in a way that is consistent with the market price of options as per paragraph B48 of IFRS 17.	Proposed change would better clarify the approach



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Section 2.6.6 (a)	2.6.6 a) refers to "select a discount rate" - change to plural: "select the discount rates" for consistency with other references to discount rates	
Section 2.6.6 (b)	It would be helpful to include an explicit reference to “financial guarantees” when discussing cash flows that depend on underlying items that have a floor or a cap.	Proposed change would better clarify the intended meaning of the current wording
Section 2.6.6 (b)	2.6.6 b) refers to "the discount rate in the projection" - change to plural: "the discount rates in the projection" for consistency with other references to discount rates	
Section 2.6.8 (b)	We consider that it would be difficult to allow for this requirement in practice. Wording should be expanded to outline how “the extent to which default by one reinsurer may affect the amounts recoverable from other reinsurers” should be assessed, or removing this paragraph.	It is not immediately clear how the Actuary could practically meet the requirements of this section
Section 2.6.8 (c) iv	We suggest adding the wording in bold to the following sentence: “iv. Potential default by ceding issuers, including retrocessionaires, if any .”	
Section 2.6.8 (c) iv	The wording in this section should be expanded to include non-performance and partial recoveries as opposed to default only	Non-performance and partial recoveries could impact fulfilment cash flows
Section 2.6.8 (d)	We think that the wording of this paragraph should be clarified – for example, is stochastic approach required?	Proposed change would better clarify the intended meaning of the current wording
Section 2.6.9	We think that the wording of this paragraph should be clarified – for example is this referring to modelling currency volatility for investment guarantees, or something else? If the discount rates are consistent with the currency of the cashflows does that not capture expected movements in exchange rates? Possible future changes in the currency exchange rates is a financial risk not an insurance	Proposed change would better clarify the intended meaning of the current wording



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	risk, as such where should uncertainty be reflected?	
Section 2.6.10 (a)	We think that the wording “beyond the period for which observable market data is available” should be reworded as “beyond the period for which observable data from deep and liquid markets is available”. This should be reviewed for consistency with the requirements of IFRS 13.	Proposed change would better clarify the intended meaning of the current wording
Section 2.6.10 (b)	It was not clear to us what the following phrase referred to: “with due regard for anticipated policyholder behaviour”. For example, is it referring to changes in asset mix or the liquidity of the insurance contract ?	Proposed change would better clarify the intended meaning of the current wording
Section 2.6.11	This paragraph should clarify whether the allocation of insurance acquisition cash flows should be made on a consistent basis over time or between portfolios/groups of products.	Proposed change would better clarify the intended meaning of the current wording
Section 2.6.11 (c)	2.6.11 c. refers to "When deriving the illiquidity adjustment for the discount rate" - change to plural: "When deriving the illiquidity adjustment for the discount rates" for consistency with other references to discount rates	
Section 2.6.12 b. i.	The word in bold should be added to the following sentence: "i. Take into account any diversification benefit the entity includes in its compensation for risk; and"	
Section 2.6.13 (b)	If ‘portfolios’ is meant in the defined sense, it would be useful to underline consistently with other defined terms	Proposed change would better clarify the intended meaning of the current wording
Section 2.6.13(c)	The Standard refers to a “systematic basis” for the treatment of loss component on onerous contracts. The wording should clarify how ISAP 1 paragraphs 2.7 or 2.8 would apply to such a mechanical process.	Proposed change would better clarify the intended meaning of the current wording



Section 2.10 (e)	<p>We think that 2.10 (e) should be split into two sections as follows:</p> <p>(e) whether hindsight is needed in any assessment</p> <p>(f) the manner in which management discretion / actions are incorporated</p>	
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<p align="center">Comments on specific definitions in the Exposure Draft of the updated Glossary</p>		
<p align="center">Note that only the proposed revisions are open for comment</p>		
<p>Defined Term</p>	<p>Change proposed to the definition (markup preferred)</p>	<p>Reason the change is needed (can be kept very brief or left blank if obvious from the change)</p>