

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:	Warren Rodericks (personal)
Name of organization		
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	N/A
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"> <li>⇒ Do <b>not</b> write in the yellow shaded cells</li> <li>⇒ Write in the white cells</li> <li>⇒ When commenting on a specific paragraph: <ul style="list-style-type: none"> <li>○ Please use a separate row for each paragraph, sub paragraph, or bullet.</li> <li>○ Please include the full reference in the first column such as “Introduction 3<sup>rd</sup> paragraph 2<sup>nd</sup> bullet” or “2.6.1.b.ii”</li> <li>○ Please insert/append extra rows as needed.</li> </ul> </li> </ul> <p><b>Please send the completed template, renamed with the organization’s or individual’s name, attached in <u>Word Format</u>, to <a href="mailto:ISAP4.comments@actuaries.org">ISAP4.comments@actuaries.org</a></b></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?	
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?	

	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)
2.6.1.a	For the purpose of setting assumptions, <del>consider</del> <b>the actuary should</b> <del>disaggregating</del> <b>disaggregate insurance contracts</b> into <u>separate</u> coverages with similar risks based on the nature of the insurance obligation;	
2.6.4	Consider renaming this paragraph “policyholder behaviour”	The paragraph as it is written only provides for assumptions where the policyholder can exercise an option, but there are other actions that policyholders

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		can take that do not involve exercise of options that still impact fulfilment cash flows (such as lapse of renewable term)
<b>2.6.4.c</b>	Significant scheduled changes in <b>premiums or</b> benefits;	As per the the comment above, contractual changes in the level of premium (particularly increases) can also elicit policyholder action which affects fulfilment cash flows
<b>2.6.5</b>	Consider adding: <b>d. Inflation</b>	
<b>2.6.5.b</b>	Clarify why “the likelihood of the realization of business plans” is relevant	
<b>2.6.10</b>	Add a point/principle discussing mapping the illiquidity premium observed from market instruments to the illiquidity premium of the related insurance cash flows	It will require some judgement from the actuary to figure out how the illiquidity of financial instruments relates to the illiquidity of insurance cash flows
<b>2.6.12.b.i</b>	Clarify the meaning of “compensation risk”, or add this term to the glossary	
<b>2.6.12.c.ii</b>	I am not sure if this is true. I thought it would be acceptable to calculate risk adjustment at an aggregate entity level and then allocate down, but this sentence seems to imply that this approach is not acceptable	
<b>2.6.12.e</b>	Paragraph 63 says “...the entity shall include in the estimates of the present value of the future cash flows for the group of reinsurance contracts held the effect of any risk of non-performance by the issuer of the reinsurance contract...” which suggests that the adjustment for reinsurer does not belong in the risk adjustment, and I am not aware of any other interpretation from the IASB that states otherwise.	
<b>2.6.12.f</b>	I think it is more appropriate to say that “ceded risk adjustment fairly reflects the compensation required for the ceded coverage and the gross risk adjustment fairly reflects the compensation required for the gross coverage”, otherwise you allow for the case where	

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	gross and ceded are mistaken by similar amounts	
2.6.13	Consider adding: e. Rollforward of the CSM	
3.1	Should significant judgements (by the actuary) in applying IFRS 17 be included as disclosures here? This is not the same as a change in assumption or method, which is already listed	

<p><b>Comments on specific definitions in the Exposure Draft of the updated Glossary</b></p> <p><b>Note that only the proposed revisions are open for comment</b></p>		
<b>Defined Term</b>	<b>Change proposed to the definition (markup preferred)</b>	<b>Reason the change is needed (can be kept very brief or left blank if obvious from the change)</b>