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:	Nathan Luketin & Francesco Valente representing Zurich Insurance Group
Name of organization		Zurich Insurance Group
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	No confidential treatment required
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 ⇨ Write in the white cells ⇨ When commenting on a specific paragraph: ○ 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. **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**
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)**
2.6.9.	When advising the principal or the entity on the estimation of the fulfilment cash flows in multiple currencies, the actuary should reflect the expected future ~~changes in~~ currency exchange rates ~~and the uncertainty arising from currency fluctuations~~.	Consideration of anything other than currency futures would likely be highly speculative. The inclusion of a comment around uncertainty may be interpereted as suggesting that such uncertainty should be included in the risk adjustment which according to IFRS 17 paragraph 37 should only consider non-financial risk.

2.6.12.e.	~~Assess the uncertainty caused by the potential of non-performance by reinsurers within the risk adjustment for non-financial risks;~~	IFRS 17 paragraph 64 states the risk adjustment for reinsurance contracts held represents risk being transferred "to the issuer of those contracts". Whether reinsurer non-performance risk is a component risk transferred to the reinsurer should be left open to interperetation. As such, non financial risks to be included in the risk adjustment are identified following 2.6.12.a. The inclusion of the risk of non-performance in the measurement of the risk adjustment will follow where relevant. The TRG also clarified that the risk of non-performance should not be considered in the risk adjustment for non financial risks: "Paragraph 63 of IFRS 17 explicitly requires the effect of any risk of non-performance by the reinsurer to be included in the estimates of the present value of the future cash flows. Applying paragraph 64 of IFRS 17, the risk adjustment for non-financial risk represents the amount of risk being transferred by the entity to the reinsurer."
2.6.12.f.	Consider whether the ~~difference between~~sum of the total of the calculated gross of reinsurance risk adjustments for non-financial risks and the total of the ceded risk adjustment for non-financial risks fairly reflects the compensation that the entity requires for bearing the uncertainty of its net of reinsurance exposure; and	
2.6.12.g.ii.	~~The inherent uncertainty in the translation to a confidence level and the need to disclose such uncertainty in the actuary's report.~~	Any actuarial technique (whether relating to IFRS 17 or not) has inherent uncertainty. This includes direct use of a confidence level in determining the risk adjustment. As such, it is unclear what the value in such a disclosure would be. This paragraph should be

		considered for revision or deletion.
2.7.2.a.	~~The pattern of expected incurred insurance service expenses, plus the release of the risk adjustment for non-financial risks, plus the release of the CSM under the general measurement approach is materially different from the expected timing of incurred insurance revenue under the PAA;~~	The reference to incurred insurance service expense, release from risk adjustment, release of the CSM, and PAA insurance revenue all suggest that the reasonableness of the PAA should be assessed in the context of the **statement of financial performance**/profit or loss. In contrast, IFRS 17 paragraph 53(a) states the reasonableness of the PAA should be assessed by considering whether the **liability for remaining coverage** materially differs between the two approachs which is instead related to the **statement of financial position**. Although, considering the timing of recognitions in the statement of financial performance may be an acceptable, indirect option for assessing differences in the liability for remaining coverage, it should not be considered the only available option. This concern is exascertbated by use of the strong word “should” in the opening of paragraph 2.7. The word “should” combined with this paragraph creates expectations that the actuary perform some asesessement here above and beyond what is laid out by the principles of IFRS 17 which are more focused on the liability for remaining coverage. There doesn’t appear to be any theoretical basis for creating this additional expectation given there are other options for assessment available, some of which are more direct. This sub-paragraph should be considered for deletion. It is worth considering replacing the sub-paragraph

		with wording around the statement of financial position or liability for remaining coverage. However even this replacement may even be redundant considering IFRS 17 already references the liability for remaining coverage.
2.7.2.b.	~~There is a reasonable expectation that differences between the timing of cash flows under the general measurement approach and the timing of incurred insurance service expenses under the PAA will result in materially different adjustments for the time value of money; and~~	Similar to the discussion above regarding sub-paragraph 2.7.2.a., it is unclear how this sub-paragraph relates to the liability for remaining coverage. As such this sub-paragraph should be considered for deletion. If it is determined that this sub-paragraph is not superfluous, then it would still require refinement. Specefically, the paragraph draws a comparison between time value of money (i.e. discount) relating to the **timing of cash flows** under the general measurement model vs. the timing of **incurred insurance service expense** under the PAA. However incurred insurance service expense includes losses in curred but not reported as well as loss reported but not paid, so the timing of incurred insurance service expense is not directly relevant to the time value of money.
2.7.2.c.	There is a reasonable expectation that future assumption changes under the general measurement approach ~~in response to emerging experience~~ will render the simplification invalid in the future.	Future assumption changes do not need to be related to emerging experience in order to render the simplification invalid. For example, future assumptions could change due to shifts in economic or political environments regardless of actual emerging experience.
2.9.2.	If the actuary had become aware that presentations and/or disclosures are materially	

	incorrect or inappropriate, the actuary should disclose that in the actuary's report.	
3.1.3.	~~When the risk adjustment for non-financial risks is determined using a technique other than a specified confidence level, the uncertainty inherent in the translation to a confidence level (2.6.12.g.); and~~	Refer to comments above on sub-paragraph 2.6.12.g.ii.

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)**