

Deadline: **31 March 2016**

Please use this template to comment on the [Exposure Draft of ISAP 5 on Insurer Enterprise Risk Models](#), and the proposed revisions to the [Glossary for ISAP 5](#).

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 5](#).

Identification and instructions		
Name of Individual:	Please indicate if your comments are personal, or represent your organization:	Ty Faulds, Chair, Actuarial Standards Board
Name of organization		Actuarial Standards Board (Canada)
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	Public
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</p> <p>ISAP5.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?	Yes, except as noted below.
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	Yes, except as noted below.
Q3.	Is it clear how the guidance in the proposed ISAP relates to the guidance in ISAP 1 and ISAP 1A? If not, how should it be changed?	Yes.
Q4.	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?	Yes, except as noted below
Q5.	Are there other matters that should be included in this standard? Are there some included here that should not be?	No, except as noted below.

	General Comments on the ISAP 5 Exposure Draft	

Comments on specific paragraphs of the ISAP 5 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)
2.1.2	Information about the organization's own risk management system <u>framework</u> <u>including...</u>	The term "system" is confusing. Framework is the term commonly used.

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2.2	Omit “complexity”	It is not clear how proportionality would work for complexity.
2.3.1	Add point (d) “Risk mitigation techniques and limitations to these techniques. For example reinsurance and hedging.”	These are important assumptions which must be considered.
2.3.2	...relative to historical data <u>and anticipated future changes</u> but also...	Changes in historical data, such as mortality improvements, and trends must be included. Your current wording suggests that the actuary would only use historical data.
2.4.1	The assumptions can be considered reasonable only if the impact of the stress(es) applied is significantly <u>suitably</u> adverse and the occurrence of the stress(es) is plausible.	Alternatively, you could make it clear that this applies only when stress/scenario testing is used for assessing solvency or capital requirements. There are other legitimate uses of stress/scenario tests that do not involve significant adverse events. Break the bank scenarios can also be useful but they may not be plausible.
2.5	The actuary should assess the reasons for and the impact of using multiple models and multiple stress tests or scenario tests and provide a reconciliation of <u>explain</u> any material differences.	The reconciliation of the tails of two different models using different underlying distributions may not be possible. Providing an explanation is a more reasonable requirement.
3.1.2 to 3.1.4	The significant assumptions used in the stress test or scenario test, <u>including justification for those assumptions in relation to historical data and the actions assumed to be taken by management (2.3.2, 2.4.2.a.);</u>	3.1.2 and 3.1.3 are better covered by the underlined text. “Historical” data is clearer and less confusing than “experience” data.
3.1.6	An appropriate reconciliation <u>explanation</u> of any material differences if multiple models and multiple stress tests and scenario tests are used by the entity (2.5.), <u>or if the specification of a given stress test or scenario test is changed from one valuation date to the next.</u>	
ERM		Should be defined the first time you use it on



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		page 1 and not just in the introduction.
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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)