

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:	organization
Name of organization	Deutsche Aktuarvereinigung (DAV) e.V.	
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	No
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?	The guidance may be improved concerning definition of the terms used. Furthermore the central concept of an ERM model is developed in the introduction only but not elaborated further in the main body of the paper nor in the Glossary. In the latter the term “model” is a very general concept and ERM models are not specified.
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	The guidance has a strong focus on stress and scenario testing. These techniques are one of several, of course useful to validate models but not on their own sufficient to assess the quality of models. The guidance lacks focus and is too abstract.
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?	ISAP1A from our point has some weaknesses that should be solved, which are related to ISAP 5. This especially holds true with respect to the term “model” and specifics for ERM models.
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?	Level of detail may be kept but more precision in the terms used is definitely required. The current draft stays on a level of principles and thus might be applicable in most situations, giving room to move but only very limited concrete guidance.
Q5.	Are there other matters that should be included in this standard? Are there some included here that should not be?	Please consider to include something on the spirit of ERM and thus the motivation of ERM models. The role of stress and scenario testing in the context is not clear. Please consider to rework the corresponding paragraphs. Special challenges imposed by Asset Liability Modelling are not addressed but should be at least by key

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		words, as ERM models are dealing with the enterprise as a whole. The use of different models might be forced by different requirements with their own metric. Thus any assessment of consistency (cf. paragraph 2.5) should take this into account.
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General Comments on the ISAP 5 Exposure Draft		
	<p>The current draft does not specifically deal with enterprise risk models and but rather seems to have a focus on stress and scenario testing which, taking into account the title of ISAP 5 seems not to be proportionate.</p> <p>There is no requirement that models as such are appropriate and validated.</p> <p>There is no requirement that the methods used in models or their architecture is adequate.</p> <p>Some aspects of models – assumptions and stress and scenario testing – are discussed however. This is disproportionate.</p>	

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)
	<p>See markup version of ISAP 5 Exposure Draft. But please note additionally:</p> <p>Paragraph 2.1.lists requirements for an actuary, which are independent from any modelling topics. It is unclear why these requirements are mentioned in ISAP 5. They should apply in any case to any actuary.</p> <p>Paragraph 2.1.4 is out of context. Suddenly the focus shifts to models without any</p>	



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	<p style="text-align: center;">motivation.</p> <p>Paragraph 2.2. is a general concept with general validity and belongs into ISAP 1(A).</p> <p>In Paragraph 2.3.1. there is a reference to ISAP 1 Paragraph 2.7. Which seems to be not the appropriate reference.</p> <p>The assumptions in 2.3.1. encompass only a maller part of the assumptios for a model. Why are relevant assumptions, e.g. those regarding financial risks not mentioned??</p> <p>Itb should be made explicit that paragraph 2.3.2 requires actuaries to assess the validity of regulatory prescribed models like the standard formula under Solvency II or the definition of the Eiopa yield curve.</p>	
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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)
	See markup version of updated Glossary.	