



Deadline: 28 February 2018

Please use this template to comment on the [Exposure Draft of ISAP 6 on on Enterprise Risk Management Programs and IAIS Insurance Core Principles](#), and the proposed revisions to the [Glossary for ISAP 6](#).

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 6](#).

	Identification and instructions	
Name of Individual:	Please indicate if your comments are personal, or represent your organization:	Oliver Lockwood FIA – Personal
Name of organization		
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	Not 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 ISAP6.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, subject to the points below
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	Yes, subject to the points below
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?	Yes
Q4.	Are there other matters that should be included in this standard? Are there some included here that should not be?	No

	General Comments on the ISAP 6 Exposure Draft	

Comments on specific paragraphs of the ISAP 6 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)
1.2.	Replace “development” with “design”.	“Development” sounds as though it is referring to building a model. In reality a design stage is required before building any model.
2.3.2.d	Amend to “The extent to which the enterprise risk models that measure the impact of risks provide results that are consistent with historic risk experience, known	This recognises that a wider range of information than market prices should be considered, and is also



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	<u>and expected future changes, reasonably foreseeable potential extreme adverse events and</u> information expressed by market prices for the risks concerned”.	consistent with 3.1.3.
2.4.1.c	Amend to “Consistency between the allowances for risks relating to the insurer’s assets and to its liabilities”.	This assumes that point c is intended to be about consistency between assets and liabilities and point e about risk dependencies. The reference to correlation under point c is then confusing.
2.4.1.e	Extend to “Diversification benefits that result from aggregation of risks, <u>noting that correlation of risks between different asset classes, products and business lines may not be linear</u> ”.	As above
2.4.2	Replace “developing” with “designing” in the preamble.	“Developing” sounds as though it is referring to building a model. In reality a design stage is required before building any model.
2.4.2.i	Replace “model risks” with “model risk management”.	
2.4.2.1	Add a reference to Section 2.5.	
2.4.3c	Amend to “Stress testing and reverse stress testing should include changes in the group structure and <u>in</u> the support that the insurer receives from other members of the group”.	This assumes that the intention is for changes in the support under stresses to be allowed for, rather than simply for the support to be allowed for in general. There is a potential ambiguity if the second “in” is not included.
2.5.1.	Replace “developing” with “designing” in the preamble.	“Developing” sounds as though it is referring to building a model. In reality a design stage is required before building any model.
2.5.1.	Replace “ORSA” with “ORSA or ORSA process” in the preamble.	A particular Own Risk and Solvency Assessment should be distinguished from the process for



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		generating such assessments. Most of the guidance in this section is relevant to both.
2.5.1.f	Amend to “Assumptions regarding future management actions and access to new capital in times of financial stress as well as , and their reasonableness given prior experiences in the industry with similar actions”.	This clarifies that the point is whether the assumptions are realistic bearing in mind the prior experience.

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)