

IAA Webinar on ISAP 4 Exposure Draft

Presented by the Actuarial Standards Committee

19 April 2018





Godfrey Perrott

- Retired 2007 from Milliman
- 43 years as a Life and IT Consultant
- Chair, Actuarial Standards Committee (ASC)

Welcome

Presenters:

- **Micheline Dionne – Chair of the ISAP 4 Task Force**
- **Luc Farmer - ASC Liaison and member of the ISAP 4 Task Force**

Moderator:

- **Godfrey Perrott - Chair, ASC**



Disclaimer

- **We are members of the ASC or of its ISAP 4 Task Force.**
- **Our remarks today are our personal opinions.**
- **They are not, and should not be construed as, official positions of the IAA or the ASC.**

Agenda

- **Welcome, introductions and brief overview of the purpose of the webinar**
- **ISAP 4 - IFRS 17 Insurance Contracts**
- **Questions and Answers**
- **Close**



Luc Farmer

- 35 years as a Life Insurance Consultant
- With Eckler in Canada
- ASC member, and liaison to its ISAP 4 Task Force

ISAP 4

IFRS 17 Insurance Contracts

- **Creation of the ISAP 4 TF – mid 2013**
- **Final IFRS 17 issued by the IASB May 2017**
- **Exposure Draft of ISAP 4 published 27 February 2018**
- **Comment Deadline 30 June 2018**
- **International Actuarial Note (IAN) to provide additional education but not guidance – later in 2018**
- **Risk Adjustment Monograph – expected Q2 2018**

ISAP 4

Task Force Members

Robert Buchanan

Micheline Dionne (chair)

Luc Farmer (from Sept 2017)

Gábor Hanák (until Feb 2018)

Jim Milholland

Yoshio Nakamura

Francis Ruygt

Derek Wright

Matthias Zerbst

Australia

Canada

ASC Liaison

Hungary

United States

Japan

Netherlands

United Kingdom

Germany



ISAP 4

Section 1. General

1.1. Purpose

- To increase intended users' confidence that:
 - Actuarial services in connection with IFRS 17 are carried out professionally and with due care;
 - Results are relevant to the needs, are presented clearly and understandably, and are complete; and
 - Assumptions and methodology used are disclosed appropriately.

ISAP 4

Section 1. General

1.2. Scope

- **Actuarial services related to IFRS 17**
 - For the preparation of IFRS financial statements; and
 - For example, when advising a third party such as an auditor or regulator, or when advising a potential buyer.

ISAP 4

Section 1. General

1.3. – 1.4. Relationship to ISAP 1, ISAP 1A and IFRSs

- The guidance in these standards are not repeated in ISAP 4.

1.5. Defined terms

- Glossary – [Blue highlight](#)
- IFRS key terms – [Green highlight](#)



Micheline Dionne

- Former Appointed Actuary
- Life insurance, Reinsurance, Consulting
- Chair, ISAP 4 Task Force

ISAP 4

Section 2. Appropriate Practices

2.1. Relevant Knowledge Requirements

“Actuary should have or obtain sufficient knowledge and understanding of information necessary to perform the assignment”

- IFRSs and accounting policies
- Entity’s appetite for risks impacting IFRS 17
- Entity’s products and operations
- Methodologies and assumptions used by entity in other relevant contexts
- Law
- Auditing standards

ISAP 4

Section 2. Appropriate Practices

Processes for which ISAP 1 guidance on Assumptions and Methodology Set by Actuary vs Prescribed applies:

- **2.4 Identification, Separation, Recognition, Derecognition and Modification;**
- **2.5 Selection of the appropriate Measurement Approach; and**
- **2.6.13 Identification of portfolios of insurance contracts, allocation into groups of insurance contracts, treatment of loss component and approach to the determination of coverage units.**

ISAP 4

Section 2. Appropriate Practices

2.6 General Measurement Approach

- Selection and updating of assumptions
- Insurance Risks
- Options
- Maintenance Expenses
- Contracts with Participation Features or Other Variable Cash Flows
- Entity Discretion
- Reinsurance
- Currency Exchange
- Discount Rates
- Insurance Acquisition Cash Flows

ISAP 4

Section 2. Appropriate Practices

2.6 General Measurement Approach (cont.)

- Risk Adjustment for Non-Financial Risks
- Aggregation and Contractual Service Margin
- Acquisition of Insurance Contracts by Transfers or Business Combinations

ISAP 4

Section 2. Appropriate Practices

Special considerations for the selection and application of:

- **2.7 Premium Allocation Approach**
- **2.8 Variable Fee Approach**

ISAP 4

Section 2. Appropriate Practices

2.9 Financial Statement Presentation and Disclosure

- Provide all related information needed;
- If aware that presentations or disclosures are incorrect, disclose in the actuary's report; and,
- Use consistent order of calculations across all reconciliations and from period to period.

ISAP 4

Section 2. Appropriate Practices

2.10 Transition

- **Determination of whether the retrospective approach is impracticable (as defined by IAS 8)**

ISAP 4

Section 3. Communication

3.1. Disclosures in the Report

- Summarizes disclosures detailed in the prior sections

Cross References to ISAP 1 and IFRS 17

ISAP 4	ISAP 1	IFRS 17
2.1 Relevant Knowledge Requirements	All/2.2, 2.3	All
2.2 Materiality	2.4	
2.3 Proportionality	1.5, 2.4	
2.4 Identification, Separation, Recognition, Derecognition and Modification	2.7, 2.8	10-13, 25-28, 72-77 B31-B35
2.5 Measurement Approach	2.7, 2.8	29-70, B36-B119

Cross references (cont.)

ISAP 4	ISAP 1	IFRS 17
2.6.1 General approach for assumptions	2.5, 2.7, 2.8	33-35, B36-B71
2.6.8 Reinsurance		60-70
2.6.10 Discount Rates		36, B72-85
2.6.12 Risk Adjustment for Non-Financial Risk	2.7, 2.8	37, B86-92
2.6.13 Aggregation and Contractual Service Margin	2.7, 2.8	14-24, 38, 43-46, 47-52 B96-B119
2.6.14 Acquisition of Insurance Contracts by Transfers or Business Combinations		39, B93-95

Cross References (cont.)

ISAP 4	ISAP 1	IFRS 17
2.7 Premium Allocation Approach		53-59
2.8 Variable Fee Approach		44-45, 48, B101-119
2.9 Financial Statement Presentation and Disclosure		78-132, B120-136
2.10 Transition		Appendix C
3.1 Disclosure in the Report	Section 3	

Example of the interaction

2.6.1 General approach for assumptions - Covered by ISAP 1 paragraph 2.7:

- Appropriateness of the selection for the work, of adjustment for known deficiency in data
- Consideration for discontinuities such as changes in processes or mix of business, or in the environment
- Reasonableness in the aggregate
- Determination of whether different components of the work are materially consistent and that significant interdependencies are modelled appropriately, and report material inconsistency

Example of the interaction

2.6.1 General approach for assumptions - Covered by IFRS 17 paragraph 33:

- Include all future cash flows within the boundary of each contract of the group
- Incorporate, in an unbiased way, all reasonable and supportable information
- Reflect the perspective of the entity
- Consistent with observable market prices
- Current
- Explicit

Questions?



**If you have a comment you wish to make on the
Exposure Draft, please send it to
ISAP4.comments@actuaries.org**

**Please complete our evaluation which will be
shown when you close this application**

Thank you



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