



Deadline: 31 October 2017

Please use this template to comment on the [Exposure Draft of ISAP 1 on General Actuarial Practice](#), and the proposed revisions to the [Glossary](#). 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 ISAP 1.

Identification and instructions		
Name of Individual:	Please indicate if your comments are personal, or represent your organization:	Organization
Name of organization		Royal Dutch Actuarial Association
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	Our comments don't have to be treated confidentially.
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>ISAPI.comments@actuaries.org</p>	



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	Specific Questions asked by the ASC	Response
Q1.	Is the time right to merge ISAP 1A into ISAP 1? If not why, and when (if ever) do you recommend that be done?	Yes
Q2.	Is the time right to make the other updates to ISAP 1? If not why, and when (if ever) do you recommend that be done?	Yes, although we believe that any additions made should be kept limited. The main improvement of the standard is in fact the integration of ISAP1A which in itself is a reflection of the current expectations of professionalism towards the use of models by an actuary.
Q3	We typically ask the following questions about new ISAPs (rather than revisions). However, we repeat them here as they may be relevant. a. Is the guidance clear and unambiguous? If not, how should it be changed?	No. Simply adding ISAP1A in a separate paragraph is not integrating the two standards. <u>In this form we prefer to keep the existing ISAP1A in place.</u> This version of the standard is confusing as it leads to a different use of definitions and wording throughout the standard with inconsistencies and duplication of principles. See for more information on our opinion the general comment box. We also note that the ED does not cover all the requirements as mentioned in ISAP1A. See e.g. our proposed changes for 2.10.
	b. Is the guidance sufficient and appropriate? If not, how should it be changed?	No, see the former comment.
	c. 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, as the main objective is the integration of ISAP1 and ISAP1A we believe that no principles should be added in this phase as this integration is already challenging enough. In a next phase we can imagine that some further guidance could be added.
	d. Are there other matters that should be included in this standard? Are there some included here that should not be?	No, see the former comment.



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General Comments on the ISAP 1 Exposure Draft

We propose to record the paragraph 2.10 on model governance as a new paragraph 2.5 which contains the general guidance on model management, after which in additional paragraphs on items like methodology, data, assumptions and reporting specific guidance is recorded. The existing wording of these additional paragraphs on methodology, data, assumptions and reporting should be aligned with the new paragraph 2.5 thereby really integrating ISAP1A in ISAP1.

We didn't record a detailed proposal for this new paragraph in this comment template, but of course are more than willing to assist you in drafting a proposal for this. Please let us know if you would like us to assist you with this.

Our arguments are:

1. In line with the definition it is logical to start with general guidance on a model and next to add specific additional requirements in paragraphs on the different elements of a model, that is, methodology, data and assumptions. The definition of a model as recorded in the Glossary is: "A simplified representation of relationships among entities organizations or events using statistical, financial, economic, or mathematical concepts. A model has a specification, uses assumptions, data, and methodologies to produce results that are intended to provide useful information on that system."
2. As in other standards it is common to start with the general requirements on the specific topic which in this case requires that an actuary should have a general understanding of model governance.
3. As the term model is not used in the standard before paragraph 2.10 it is not clear if the paragraphs on data quality, methodology and assumption setting only deal with model management or have a wider scope. As the definition of a model suggests the first, starting with a paragraph on model governance would make this relationship clearer. If the scope is wider, as could be the case for data quality, we suggest to mention this explicitly.
4. The original ISAP1 is written in line with actuarial practices of the last decennia in which in many cases there was not an explicit model governance in place which distinguishes and has separate requirements on selecting, modifying, developing and using a model. Therefore, guidance on these phases is recorded in the separate sections on data, assumptions and methodology. The standard would be better readable, understandable and applicable when general guidance is recorded in the general paragraph in model governance followed by the specific guidance in the additional paragraphs on methodology, data and assumptions with, if relevant, a clear reference to the phase to which it is applicable. Examples include, but are not limited to:
 - The traditional ISAP1 paragraph 2.7 on assumptions and methodology in a model governance approach in fact deals with the development and running (in case of selecting some assumptions) of models, but the terminology on the roles and the term model is



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	<p>not used in this paragraph.</p> <ul style="list-style-type: none"> - The approach in the former ISAP1 is that the actuary involved is responsible for all the traditional actuarial control cycle steps such as selecting assumptions and methodology, running the calculations and presenting the results in the actuarial report. In the model governance approach an actuary is often not involved in all phases any more. Paragraph 3.2 should be restated to reflect this fact. Part of the reporting requirements is replaced by proper model documentation requirements in a model governance approach. <p>5. In line with the former point we believe that some guidance is recorded twice in the standard and/or a subject is recorded more than on one place as a result of the integration (the topic is addressed by the original ISAP text but also in the added ISAP1A text). We therefore we would like to suggest to critically evaluate if guidance from the original ISAP1 can be omitted or should be adjusted because of the integration of ISAP1A on model governance. Examples include, but are not limited to:</p> <ul style="list-style-type: none"> - Paragraph 2.11 is also covered by paragraph 2.10.6. As this is a factual duplication of requirements we reported a separate comment on this in the “comments on specific paragraphs” section below. - Paragraph 2.12 on peer review was recorded as an independent quality check on the work performed by the actuary. Part of this is in a model governance approach replaced by the independent model validation, so that paragraph 2.12 should be restated to reflect this fact.
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Comments on specific paragraphs of the ISAP 1 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)
1.4 / 2.10	To continue to use the term entity and to define the term in the Glossary if entity has the meaning of an organization such as in paragraph 1.4 and paragraph 2.10.	We understand that the definition of “entity” is replaced because the term has two meanings in ISAP1; the organization, the subject or both. Although it is good to distinguish between the organization and the subject, we believe that the argumentation is not sufficient to make the proposed changes. This solution leads to other confusions, e.g. “entity decision making” (paragraph 2.10) is changed to “management’s



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		decision making”. This does not make it more clear. For example, which management is meant? The reference of the context of model governance is clearly towards decisions made by the entity. Could this not be solved for example by adding a clear definition to the Glossary so that the term is used consistently in all ISAPs?
2.3	Reliance on Others – The actuary may use information prepared by another party. This information may include data <u>and</u> , opinions of other professionals, projections , and supporting analyses (but excludes assumptions and methodology). The actuary may select the party and information on which to rely, or may be given the information by the principal. The actuary may take responsibility for such information, or the actuary may state that reliance has been placed upon the source of this information and disclaim responsibility.	Paragraph 2.3 Reliance on Others which offers to disclaim responsibility on using projections seems inconsistent with the requirements of model governance which clearly sets requirements on using a model.
2.5.2	Validation Review	The term validation is reserved for model validation. For data quality the term review if moreoften used. Furthermore, the last sentence of 2.5.3 also refers to review.
2.10	We would like to suggest to stick to the original wording of ISAP1A with respect to the different phases of model management – hence clearly making the split in selecting, modifying, developing and using, although we acknowledge that some requirements were duplicative.	Paragraph 2.10 now starts with a sentence between brackets saying that “using” includes selecting, developing, modifying, and running models. This results in several issues, such as: <ul style="list-style-type: none"> - We believe this does not help in the understanding for the actuaries on the different roles in model management. The scope of ISAP1A (“It provides guidance to actuaries on appropriate model governance to manage the risks inherent in selecting an existing model, modifying an existing model, developing a new model, or using a model”.) is an important part of the guidance as it identifies the four key roles in model governance. This is now less clear and it may even be



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		<p>confusing.</p> <ul style="list-style-type: none"> - Paragraph 2.10.4 refers to the actuary “be satisfied”. However in the case of development of a new model or the modification of an existing model ISAP1A requires the actuary to provide certain documentation (not completely worded the same as in 2.10.4. Furthermore, requirements of paragraph 2.3.2 of ISAP 1A are not entirely covered). - There seem to be two separate meanings of use because the ISAP1A term “using a model” is now replaced by “running a model”: (1) the newly introduced broader term in the beginning of paragraph 2.10 and (2) the term “using the results of running a model”.
2.11.1	To omit paragraph 2.11.1: 2.11.1. Process Controls – The actuary should consider to what extent, if any, the procedures used to carry out the work should be controlled, and if so, how.	The requirements on appropriate controls as required by 2.11.1 are also mentioned in 2.10.6 on model governance.
2.11.2	To omit paragraph 2.11.2: 2.11.2. Reasonableness Checks – The actuary should review the results produced by the selected assumptions and methodology for overall reasonableness.	The requirements on reasonable checks as required by 2.11.2 are also mentioned in 2.10.6 on model governance.

Comments on specific definitions in the Exposure Draft of the updated Glossary

Note that only the proposed revisions are open for comment



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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)

	Comments on the change to ISAP 2 (i.e. change in paragraph 2.1)