



## Comment Template

### Draft Statement of Intent to issue an International Standard of Actuarial Practice – Actuarial Services in relation to IFRS X Insurance Contracts (ISAP [4])

1. Do you agree an ISAP is needed on actuarial services in relation to IFRS X?

Yes

No

2. Are any of the proposed topics inappropriate for inclusion in ISAP [4]?

Yes

No

If yes, please explain why the particular topic should not be included in ISAP [4].

Internationally regulation and products differ significantly. This is a major reason for IFRS[4] being principle based. Consequently it is neither possible nor making sense to try to formulate detailed rules for applying IFRS [4]. For this reason the IASP should not include any prescription of methods, procedures and valuation techniques etc.



### 3. What other topics should be included in ISAP [4]?

***Please cover why you wish guidance in this area and if appropriate provide an example to illustrate the issue. Please note that the ISAP is not intended to address unique, country-specific issues. Member associations and local actuarial standard setting organizations could address such issues by adding guidance to the model ISAP before adoption.***

The IASP should include and be limited to minimum standards to be fulfilled by actuaries when applying IFRS [4] for preparing financial statements. This means:

- Considerations regarding quality and completeness of data used for actuarial methods in order to achieve the necessary precision.

Data analysis, which serves as a basis for the evaluation, consists of regularly carrying through a granular retrospective and/or prospective examination of data and information relating to key experience items driving business profitability and sustainability. This includes assessing whether data used is adequate and appropriate for the purpose intended.

The IASP should describe ways to reach a best possible trade-off between cost (for quality) and benefit (precision necessary to obtain meaningful results). This should be the focus rather than prescribing technical requirements like frequencies for deriving data, smoothing algorithms for mortality tables etc.

- Considerations regarding the appropriateness of systems and methods used (including IT-Systems)

In this context, this means minimum requirements for an assessment whether expected results are in line with results predicted. The assumptions or predictions made in the evaluation are assessed by comparing expected outcomes to actual outcomes. Furthermore the effects of key drivers on results are assessed so as to better understand the uncertainty of results and to ensure robust and appropriate outcome of actuarial work. Also the appropriateness of the trade-off between computational exactness and necessary estimates has to be reviewed critically on a regular basis.

As mentioned above, this topic should focus on the trade-off between cost and benefit rather than being a dedicated prescription of methods.

**These aspects should be the only focus when dealing with the considerations mentioned on pages 4 and 5 of the Draft SOI. By this focus the necessary basis of sound actuarial contribution to financial statements according to IFRS [4] is ensured. It is an inevitable basis for an international coherent application of IFRS [4]. It is not in conflict with the necessary leeway for considering national and regulatory framework given by the principle based standard.**



**4. Please use this space for any additional comments not covered above.**

The focus indicated above should be very much in line with the requirements of Solvency II regarding the work of the actuarial function. In general both regimes (Solvency II and IFRS [4]) have very similar goals: Giving a comprehensive view on an entity's economic performance/situation in a well-defined reporting period according to a clearly described accounting framework. For this reason the IASP should try to achieve as much consistency to SII as possible.

**Comments on formal requirements:**

We recommend that the last paragraph of Section 3 is extended by a reference that the draft should also comply with the Governance Documents of the IAA.

Regarding the subsidiarity principle: Subsection 4.1 d) of the Due Process requires that the SOI contains a "confirmation that there is no conflict with the principle of subsidiarity in regard to member associations and regional groupings of member associations." Such a requirement would have been superfluous if model standards were by nature in line with the subsidiarity principle as is claimed in Section 4. Thus, we highly recommend to examine whether a clear statement can be given that the contents of the intended ISAP [4] will not violate the subsidiarity principle.

**5. Please provide the name of the person completing the consultation response, association and email address for further clarifications (if needed).**

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**Comments on draft Statement of Intent to Issue ISAP [4]**

**IMPORTANT:** Please check if the relevant check boxes are ticked appropriately and save the file renamed with the organization's or individual's name (e.g., SOI\_CommentTemplate\_[NAME].Doc). E-mail the file as an attachment to [SOI.ISAP4.comments@actuaries.org](mailto:SOI.ISAP4.comments@actuaries.org).