



Institute
and Faculty
of Actuaries

Draft Statement of Intent for an International Standards of Actuarial Practice in relation to IFRS X Insurance Contracts

International Actuarial Association

IFoA Consultation Response

28 February 2014

About the Institute and Faculty of Actuaries

The Institute and Faculty of Actuaries is the chartered professional body for actuaries in the United Kingdom. A rigorous examination system is supported by a programme of continuous professional development and a professional code of conduct supports high standards, reflecting the significant role of the Profession in society.

Actuaries' training is founded on mathematical and statistical techniques used in insurance, pension fund management and investment and then builds the management skills associated with the application of these techniques. The training includes the derivation and application of 'mortality tables' used to assess probabilities of death or survival. It also includes the financial mathematics of interest and risk associated with different investment vehicles – from simple deposits through to complex stock market derivatives.

Actuaries provide commercial, financial and prudential advice on the management of a business' assets and liabilities, especially where long term management and planning are critical to the success of any business venture. A majority of actuaries work for insurance companies or pension funds – either as their direct employees or in firms which undertake work on a consultancy basis – but they also advise individuals and offer comment on social and public interest issues. Members of the profession have a statutory role in the supervision of pension funds and life insurance companies as well as a statutory role to provide actuarial opinions for managing agents at Lloyd's.



Institute and Faculty of Actuaries response to IAA Draft Statement of Intent for an International Standard of Actuarial Practice in relation to IFRS X Insurance Contracts (ISAP[4])

The Institute and Faculty of Actuaries (IFoA) is grateful for the opportunity to respond to the IAA's Statement of Intent ("SOI") in relation to a proposed ISAP 4 on actuarial practice in IFRS X insurance contracts.

We have previously provided a response to the IASB Exposure Draft ED/2013/7: Insurance Contracts, in relation to the proposed IFRS X and, separately, to their consultation on a Conceptual Framework for consistent definitions and concepts within accounting standards (copies of which are available on our [website](#)).

Actuaries will be involved in the preparation and review of the financial statements of insurers and reinsurers under IFRS and therefore, the adoption of any international standard in the insurance industry will directly affect the day-to-day work of many of our members. For example: in preparing disclosures our members can be involved with the calculation of technical provisions, ensuring data adequacy and drafting disclosures, and as part of the external audit our members may provide steer on the methods and assumptions applied, verify data quality and review the application of an appropriate valuation process.

The IFoA welcomes this SOI and the IAA's proposal to introduce an ISAP which complements IFRS X and we have a few observations which might be helpful.

The timing of the drafting of the ISAP will be important; in particular, how it is coordinated with both the draft IFRS X being finalised and the need for adequate time to be given to those implementing the standards. The IFoA considers it important that the draft ISAP 4 reflects the final version of the draft IFRS X and, at present that draft is not yet in a near final form. Equally, it will be important that ISAP 4 is introduced in sufficient time for it to be useful for those implementing IFRS X.

As this is only an SOI and does not include any detailed proposals at this stage, we have not gone into any detail about possible content. However, we observe that it would be helpful and appropriate if the draft ISAP 4 does not go further than IFRS X and does not add further requirements than are contained in that of other related standards. It was also observed that the list of topics did not contain interpretation of disclosure requirements and thought that might be useful inclusion.

We look forward to further engagement on this proposal, particularly on the detailed actuarial substance of the draft ISAP as well as on clarifying the status of the guidance for both auditors and actuaries.

Should you want to discuss any of the points raised please contact Helena Dumycz, Policy Manager (helena.dumycz@actuaries.org.uk/ 02076322118) in the first instance.

Yours sincerely,