



Comment Template

Draft Statement of Intent to issue International Standards of Actuarial Practice in relation to insurer ERM models and programs (ISAPs [5] and [6])

1. Do you agree an ISAP is needed on actuarial services in relation to insurer ERM models?

<input checked="" type="checkbox"/>	Yes
<input type="checkbox"/>	No

2. Do you agree an ISAP is needed on actuarial services in relation to insurer ERM programs envisaged by the IAIS's ICPs (particularly 8 and 16)?

<input checked="" type="checkbox"/>	Yes
<input type="checkbox"/>	No



3. Are any of the proposed topics inappropriate for inclusion in these ISAPs? If so, please explain why the particular topic should not be included.

In the view of the Institute of Actuaries of Australia ("Institute"), the scope of these proposed ISAPs should be considerably narrowed and, in the first instance, limited to areas where the actuary has a relevant statutory obligation or the work is performed for the purposes of, for example, ICP 8 (Risk Management and Internal Controls) and ICP 16 (Enterprise Risk Management for Solvency Purposes) issued by the International Association of Insurance Supervisors. Such an approach means that companies and regulators have confidence in the outcomes, and actuaries have frameworks and operating standards to guide them.

Without the focus on statutory/regulatory obligations, actuaries may have additional requirements placed upon them which may go further, and be more costly, than other professions operating in this space. This may put the profession at a competitive disadvantage and, should this happen, other professions will be more than happy to fill the vacuum.

In both cases, guidance should be provided, allowing individual standard setters the flexibility to tailor local standards to the needs and expectations of the local market.

In the Institute's view, proposed ISAP [5] should:

- ▶ be clearly limited to the construction of models and not all "services involving the use of models", as the latter is much too broad;
- ▶ have an overall requirement for models to be fit for purpose;
- ▶ apply to models used for regulatory capital purposes;
- ▶ recognise that models have a place, but other elements may be of equal or more importance. For example, the discipline of monitoring surplus capital relative to a targeted level, may be more important than the precise size of the target itself. Similarly, 'softer aspects', such as expected behaviours and risk culture, are very important; and
- ▶ not paint actuaries as only being able to operate with models, but having the ability to operate as Chief Risk Officers.

In the Institute's view, proposed ISAP [6] should:

- ▶ be limited to actuaries providing statutory opinions on the design and operating effectiveness of ERM frameworks;



Comments on draft Statement of Intent to Issue ISAPs [5] and [6]

- ▶ not apply to actuaries developing and implementing ERM programs, as there is a wealth of material on such programs that is already readily available;
- ▶ not unduly focus on measurement and capital. Elements such as risk culture, governance, management information, incident management, capability, etc may be just as, if not more, important;
- ▶ not paint actuaries as only being able to operate in technical areas, but having the ability to operate as Chief Risk Officers.

4. What other topics should be included in these ISAPs?

Please cover why you wish guidance in this area and if appropriate provide an example to illustrate the issue. Also please indicate in which of these two ISAPs such guidance should be placed. Please note that ISAPs are not intended to address unique, country-specific issues. Member associations and local actuarial standard setting organizations could address such issues by providing additional guidance to their members as the ISAP is adopted, or adding such additional guidance within the local adaptation of the ISAP.

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Type of response	<input type="checkbox"/> Personal <input checked="" type="checkbox"/> Organization

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.ISAPs5-6.comments@actuaries.org, with “ERM” in the e-mail header.