



Comment Template

Draft Statement of Intent to issue an International Standard of Actuarial Practice on Governance of Models (ISAP [1A])

1. Do you agree an ISAP is needed on governance of models?

Yes

No

ISAP 1 already requires:

- the 'methodology' adopted to be appropriate for the work (2.7.1)
- work to be subject to process controls and reasonableness checks (2.10); and
- appropriate reporting (3.1).

In our view, 'methodology' and 'process' include any models used, in which case the four areas suggested in the proposed content of ISAP [1A] are addressed, albeit at a high level. Before embarking on the proposed new ISAP, the ASC should be challenged to explain why our view is not deemed appropriate. If there are concerns that it might not be widely understood, then an IAN could be used to clarify how the principles might be applied to models: although this will not have the regulatory force of an ISAP, it would be a proportionate means of addressing a gap that might not actually exist.

It is also worth considering the UK experience. Having started with a generic standard with a relatively detailed approach to addressing modelling (TAS M), the FRC has decided that a set of high level principles covering modelling, reporting and data (TAS 100) will be sufficient for the generality of actuarial work. The effect of the TAS 100 principles that apply to models is not materially different from the provisions ISAP 1 has in relation to methodology and process (provided these are taken as referring to 'models').

If the decision to proceed with ISAP [1A] is taken, then we appeal to the ASC to follow a similar principles based approach to that adopted in TAS 100.



- 2. Do you agree that the ASC should attempt to find a graceful way of merging ISAP [1A] into ISAP 1 at an appropriate time provided that can be done without disrupting the adoption of ISAP 1 or creating other problems for member associations?**

Yes

No

Since ISAP 1 covers 'general actuarial practice', then, if the view is that more guidance is required in relation to models, it should be consolidated into ISAP 1.

- 3. Are any of the proposed topics inappropriate for inclusion in ISAP [1A]? If so, please explain why the particular topic should not be included.**

No

- 4. What other topics should be included in ISAP [1A]?**

Please explain why you wish guidance in this area and if appropriate provide an example to illustrate the issue.

The standard will need to be written in a way that does not impose barriers to the use of third party models.

Clearly, actuaries will still have a responsibility to satisfy themselves that the model is fit for purpose, but if they are required to apply the same due diligence to a third party model as to one they developed themselves, the efficiencies of the third party model will be lost. Software modelling is becoming an increasingly specialised area and actuaries need to be able to work with experts in this discipline to be able to deliver high quality work in a way that is proportionate for their clients or employers.



Comments on draft Statement of Intent to Issue ISAP [1A]

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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.ISAP1A.comments@actuaries.org, with "Governance of Models" in the e-mail header.