

Comments of Ralph Blanchard on the July 2011 exposure draft of proposed  
ISAP 1 General Actuarial Practice

1. Introduction 1

- a. The first paragraph focuses on FMAs for the adoption or endorsement of this standard. This is the wrong focus. The focus should be on actuarial standard setting organizations, whether or not that organization is affiliated with the IAA. The IAA should appeal to all such organizations. Suggested rewording is included in the attached edited version of the draft standard.
- b. The wording in the second paragraph is not consistent with moderate convergence, as it doesn't allow for a set of actuarial standards in a jurisdiction that are consistent with the proposed standard but structured differently. I've added suggested wording that would address this issue.

2. Introduction 2

The second paragraph here is not relevant to this draft standard. It is general discussion applicable to the standard setting process, and possibly relevant to some future practice-specific standard. As such, it recommend its deletion.

3. Section 2.13 – Recognized Actuarial Practice

This definition presumes that actuarial standards are established by IAA member organizations and no other organizations. In reality, there are IAA member organizations that do not have authority to establish such standards, and non-actuarial organizations that do have authority to establish such standards. Recommend replacing “*IAA member association*” with “*actuarial standard setting organization*”.

4. Section 2.14 – Responsible actuary

Should this paragraph/definition allowing for the plural, in the case that more than one actuary is responsible?

5. Section 3.1.1 – (regarding accepting an assignment)

This paragraph says that an actuary should either be qualified or become qualified before accepting/starting an assignment. Note that sometimes the actuary's qualifications can lead to modification of the required services under the agreement. Should this ability to negotiate terms that match qualifications be mentioned?

6. Section 3.3 – Employed Actuaries

- a. I found the first paragraph of this section difficult to parse, as it qualifies unspecified parts of subsequent paragraphs/sections. Is there a better way to do so? (As an aside, it reads as if the document was written for a consulting actuary, and then a fix attempted at the last minute.)
- b. The second paragraph of this section deals with communications and disclosures, as such it belongs somewhere in section 4 and not section 3.

7. Section 3.4.1.d – reviewing information for reasonableness

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I'm not sure if "when practicable" is appropriate for a qualification for reviewing information for reasonableness. I would prefer wording that says to always perform such a review, except where resources or the assignment do not allow, with required disclosure (in section 4) when such a review is not performed. The current wording seems too weak.

8. Section 3.4.1.e – provide "details" of the steps

The word "details" may be interpreted to require a voluminous disclosure. Recommend changing to something like "provide an explanation of the steps ...".

9. Section 3.4.2.a – using information provided by another party

I'm not sure what this paragraph does. Shouldn't a review for consistency with relevant standards be done for all information used, not just for that information provided by another party?

10. Section 3.4.3.e – review of other party's report or working papers

Sometimes the results of another party's report is available, but not the report itself. For example, there may be a document that has loss development factors or claim arising patterns for a particular product sold in the market (such as Directions & Officers coverage) but not the underlying analysis (report/workpapers). Recommend adding the words "if available" to the sentence in this paragraph.

11. Section 3.4.4 – confusing sentence construction

The last part of this sentence is difficult to parse. Recommend that it be reworded.

12. Section 3.6.2 – Sufficient and reliable data

Suggest rewording to "sufficient **relevant** and reliable data". Also strongly suggest that the word "materially" be added to the last sentence, so that it reads "*Data are reliable if that information is **materially** accurate.*" Data used for property/casualty claim liability estimation is rarely 100% accurate, but that doesn't make it insufficiently reliable for use.

13. Section 3.8 – Assumption Setting

This section allows for some assumptions to be set by the principal, but doesn't allow for the situation where some assumptions are set by law or a supervisor/regulator. It should allow for that situation. (Perhaps the discussion about assumptions set by the principal can be expanded to also allow for assumptions set by law or governmental authority.)

14. Section 3.9.1 – Process Controls

The topic of this section wasn't clear to me. It may be a terminology issue. Maybe an example would help.

15. Section 3.11 – Peer Review.

I don't think the second sentence of this paragraph is needed. All it talks about is situations where the consideration required in the first paragraph leads to the conclusion that a peer review may be premature. In general, peer review of some form is good practice for consultants and internal actuaries alike. It's just that the peer review in some

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cases may be performed by the user of the report, particularly for some internal reports/analyses.

16. Section 3.12 – Documentation

I recommend that a sentence be added, allowing for the situation where the assignment itself has certain explicit documentation requirements specified. The following is one possibility for such a sentence.

*“The assignment may also specify certain documentation and document retention requirements, such as those set by insurance statutes or regulation or by tax laws.”*

17. Section 4.4 – Report

I don't understand why the following sentence is needed:

*“The actuary should complete a report if the actuary intends the results of professional services to be relied upon by any intended user”*

If the actuary doesn't intend anyone to rely upon it, then it isn't an actuarial workproduct in the first place, and the standard doesn't apply.