

## ISAP 1 General Actuarial Practice – Exposure Draft

ISAP 1 General Actuarial Practice

**July 2011**

This document contains the exposure draft of proposed *ISAP 1 General Actuarial Practice*. Please distribute this draft to members of your association and your local standard setter(s). Comments (from your organization or your members) should be addressed to [ISAP.comments@actuaries.org](mailto:ISAP.comments@actuaries.org) with “ISAP 1” in the e-mail header.

**Comment [sg1]:** In some cases this spelled with a z, while in others with an s. Be consistent!

The preferred format for submitting comments is e-mail or an MS Word (or equivalent) attachment. Please do not send comments as a PDF file. If you submit a mark-up of the actual document please use track changes in MS Word and be sure to include comments explaining why you think each proposed change is necessary.

This exposure draft has been prepared largely in conformance with the template originally developed by the IAA Professionalism Committee, but with some modifications. Comments are welcome on both the content of this exposure draft as well as its revised format.

All comments will normally be posted to the International Actuarial Association website identifying the commenter(s). However, in exceptional cases, in response to a request which the IAA Secretariat is satisfied is for a valid reason, comments may be either posted to the website anonymously or withheld from the website.

The deadline for comments is 1 December 2011.

This document was approved for exposure by the Interim Actuarial Standards Subcommittee of the Executive Committee of the IAA in July 2011.

**ISAP 1 General Actuarial Practice – Exposure Draft**

**International Standard of Actuarial Practice 1  
(ISAP 1)  
General Actuarial Practice**

**International Actuarial Association  
Developed by the General Task Force**

**of the**

**Interim Actuarial Standards Subcommittee**

**Adopted by IAA Council  
[Month Year]**

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## Introduction 1

*[Introduction 1 should be deleted when a standard setting organization adopts this standard.]*

**This INTERNATIONAL STANDARD OF ACTUARIAL PRACTICE (ISAP) is a model for member organizations and other standard setting bodies to consider adopting.**

**This ISAP is not binding upon an actuary unless the actuary states that some or all of the work has been performed in compliance with this ISAP.**

The INTERNATIONAL ACTUARIAL ASSOCIATION (IAA) encourages member organizations and other relevant standard setting bodies to consider adopting this ISAP as a standard with or without modification, or to endorse this ISAP as a standard. Such an adopted standard (rather than this ISAP) is binding on those actuaries who are subject to such body's standards, except as otherwise directed by such body (for example with respect to cross-border work).

When this standard is translated, the adopting body should select three verbs that embody the concepts of “must”, “should”, and “may”, as described in Language, even if such verbs are not the literal translation of “must”, “should”, and “may”.

**This ISAP is not binding upon an actuary unless the actuary states that some or all of the actuary's work has been performed in compliance with this ISAP.**

## Introduction 2

### **Background**

This International Standard of Actuarial Practice (ISAP) is a general standard. It applies to all professional actuarial work performed by an actuary unless an element of its guidance is explicitly superseded by another general standard such as a or practice-specific standard.

Usually, the intent of the practice-specific standards is to narrow the range of practice considered acceptable under the general standards.

In exceptional cases, however, the intent of a practice-specific standards is to define as acceptable a practice as acceptable that which would not be acceptable under the general standards. In this which case such an that intent is specifically noted by words in a practice-specific recommendation like: “Notwithstanding the general standards, the actuary should...”, followed by a description of the exception.

### **Language**

Some of the language used in this ISAP is intended to be interpreted in a very specific way in the context of a decision of the actuary. In particular, the following verbs are to be understood to convey the actions or reactions indicated:

- The verb “mMust” means that the indicated course of action is mandatory and failure to follow the indicated action will constitute a departure from this ISAP.

**Comment [sg2]:** These two sentences don't relate to each other. They should be separated, as the first is directed to the relevant organization(s), while the second is directed to the individual actuary. I also suggest that the second sentence be the third paragraph here, as the first and third go together

**Comment [sg3]:** Shouldn't this introduction state a preference, that suggests that a modification be made, something like, or to the extent that local practice differs (presumably from international conditions), that it is integrated in some way with existing standards, or...

**Formatted:** Font: Bold

**Comment [sg4]:** Shouldn't the numbering of the introductions be switched? The reason is that when Intro 1 is if when a jurisdiction adopts it, all the version has is Intro 2, which sounds awkward at best if the jurisdiction does not do it themselves automatically. By renumbering them, then the member organization / other standard setting body doesn't have to renumber the intro's.

**Comment [sg5]:** I deleted these two words because they are redundant with the stem.

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- ~~The verb “Sshould”~~ means that, under normal circumstances, the actuary is expected to follow the indicated ~~course of~~ action, unless to do so would (in the actuary’s professional ~~judgment/opinion~~) produce a result that would be inappropriate or would potentially mislead the ~~intended~~ users of the resulting information. If the indicated action is not followed, the actuary should disclose that fact and ~~provide the reason/justification~~ for it. If a conflict exists between this standard and applicable law or regulation, compliance with applicable law or regulation is not considered to be a deviation from this ~~ISAP~~.
- ~~The verb “mMay”~~ means that the indicated ~~course of~~ action is not required, nor even necessarily expected, but in ~~certain/some~~ circumstances is an appropriate activity, ~~possibly among other alternatives~~.

This document uses various expressions whose precise meaning is defined in section 2. These expressions are highlighted in the text in ~~blue~~ with a dashed underscore, which is also a hyperlink to the definition (e.g. ~~actuary~~)

This ISAP was adopted by the IAA Council on [month year].

**Comment [sg6]:** The definitions professional judgment and not opinion opinion usually means something

**Comment [sg7]:** This may be OK here but it doesn't indicate to whom this disclosure and provision should be given -- only to the principal or intended/expected users?

**Comment [sg8]:** This sentence is very confusing -- doesn't this apply to all three cases? And it is also included in 1.2, so I think it is not needed here. If it is felt needed here, then this sentence should be a separate paragraph below.

**Comment [sg9]:** This phrase doesn't add anything.

**Comment [sg10]:** Since many readers will print this out with black ink, maybe reordering and indicating the underscore first does reference to color may not be helpful.

**Section 1. Purpose, Scope, and Cross References**

**1.1 Purpose** - This ISAP provides guidance to actuaries when performing professional services.

**1.2 Scope** - This ISAP applies to actuaries when performing professional services. An actuary who provides these professional services may be acting in one of several capacities such as an employee, officer, director, external adviser, auditor, or supervisory authority of the principal.

Laws or regulations may also impose obligations upon an actuary. Compliance with binding requirements of law or regulation that conflict with this standard shall not be considered to be a deviation from the standard.

**1.3 Cross References** - When this standard refers to the content provisions of another documents, the reference relates includes to the referenced documents as it they is effective exist on the adoption date as shown on the cover page of this ISAP. The referenced documents may be amended, restated or replaced after the adoption date. If any amended, restated or replacement document differs materially from the originally referenced document, the actuary should consider the extent the modification is applicable and appropriate to the guidance in this ISAP standard.

**1.4 Effective Date** - This standard is effective for {professional services performed/professional services commenced/professional services performed relevant to an event}<sup>1</sup> on or after [Date].

**Comment [sg11]:** I think this would be somewhat better as 'management' rather than 'officer', as every officer is an employee, and the officer capacity is not particularly relevant.

**Comment [sg12]:** I like this paragraph but it doesn't quite fit the 'scope' -- possibly better as a separate section after 1.2? Note the duplication with Intro.

It is also in 4.3 -- if this is included, it needs to better relate to scope rather than this paragraph -- the first sentence doesn't say anything -- any service imposes ...

**Comment [sg13]:** It may not be a 'provision', whatever that means.

**Comment [sg14]:** Can't be plural, as it wouldn't include the content of a single document (possibly too picky).

**Comment [sg15]:** Shouldn't it always be effective on the date of the service? If it's effective on the date of the financial reporting, it would be as of the financial reporting date (or later if covering subsequent events), or the date of the report. It can't be when the professional services commenced. Reference to an event is too vague -- it could be the date of an incurred claim, or effective date of a sale of a contract, or...

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<sup>1</sup> [Phrase to be selected and date to be inserted by standard setter adopting or endorsing this ISAP.].

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### Section 2. Definitions

The terms below are defined for use in this ISAP.

- 2.1. **Actuary** - An individual member of one of the member associations of the [IAA](#).
- 2.2. **Adoption date** - The date on which this ISAP was adopted as a final document by the [Council of the IAA](#).
- 2.3. **Communication** - An oral or [written statement](#) issued by an [actuary](#) with respect to [the performance of professional services](#).
- 2.4. **Effective date** - The date from which a standard setter who has adopted or endorsed this ISAP determines it applies to those actuaries within its [jurisdiction](#).
- 2.5. **Employed actuary** - An [actuary](#) employed by the [principal](#) or an enterprise affiliated with the [principal](#).
- 2.6. **Entity** - The enterprise that is, in whole or part, the subject of the [professional service](#).
- 2.7. **IAA** - The International Actuarial Association.
- 2.8. **Intended user** - Any legal or natural person (usually including the [principal](#)) that the [actuary](#) intends to use the [work product](#) at the time the [actuary](#) provides [professional services](#) to the [principal](#).
- 2.9. **Opinion** - An opinion expressed by an [actuary](#) and intended by that [actuary](#) to be relied upon by the [intended users](#).
- 2.10. **Principal** - The party who has the right to provide direction to the provider of [professional services](#). The [principal](#) will usually be the client or the employer of the [responsible actuary](#).
- 2.11. **Professional judgment** – The judgment of the [actuary](#) based on specialized training and experience.
- 2.12. **Professional services** - Services provided to a [principal](#) that may include the rendering of advice, recommendations, findings, or [opinions](#) based upon actuarial considerations.
- 2.13. **Recognized actuarial practice** - A practice or practices that are generally recognized within the actuarial profession as appropriate to complete [professional services](#) under an ISAP or the applicable professional standards of practice adopted by the [IAA](#) member association in the applicable reporting [jurisdiction](#).
- 2.14. **Report** - An [actuary](#)'s [communication](#) presenting the results of [professional services](#).
- 2.15. **Responsible actuary** - The [actuary](#) who is responsible for the [work product](#).
- 2.16. **Sponsor** - The party who has commissioned the [professional services](#). The [sponsor](#) will often, but not always, be the [principal](#).

**Comment [sg16]:** Should this be to provide or perform, rather than the service itself.

**Comment [sg17]:** Shouldn't this refer to services provided within the jurisdiction rather than actuaries within the jurisdiction?

And need some guidance for those actuaries who state they comply with it, this definition is not relevant for that situation.

**Comment [sg18]:** I'm not sure of the reason for the 'under an ISAP...jurisdiction' being here -- I thought this covers all professional services, or am I wrong? If I am, then it should refer to IAA member association or other standard setting body. And I don't believe that 'in the applicable reporting jurisdiction' is correct - it isn't necessarily 'in', since completion in a jurisdiction is not necessarily the right one. I suggest, if the entire phrase is OK, then this stop at 'standards of practice' as being sufficient.

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- 2.17. **Work product** - The totality of the professional services provided by an actuary to intended users including any opinion or report, as well as any supporting calculations and documentation.
- 2.18. **Written statement** - A document in any recorded form including but not limited to paper, word processing or spreadsheet files, e-mail, web site, slide presentations, or audio or video recordings.

**Section 3. Appropriate Practices**

**3.1. Acceptance of Assignment**

- 3.1.1. In accepting an engagement for professional services (whether a single freestanding assignment or an ongoing contract), the responsible actuary should:
- a. agree on its terms with the principal;
  - b. be qualified to perform the services, or able to become qualified before the services are delivered;
  - c. be satisfied that the assignment can be performed under the responsible actuary's code of professional conduct; and
  - d. have reasonable assurance of time, resources, information, access to relevant employees, access to applicable documentation, and the right of the responsible actuary to communicate information, as may be necessary for the work product.

3.1.2. When providing professional services, the responsible actuary should confirm with the principal the nature and scope of professional services to be provided, including:

- a. any limitations or additional requirements that the actuary is required to satisfy;
- b. identification of the desired or needed schedule and expected cost or resources needed (especially if they are substantial); and
- c. the information needed to be communicated to and by the actuary, especially if it is sensitive or confidential.

Responsible actuaries who are not employed actuaries typically document the confirmation in a letter of engagement, a memorandum of understanding, the report, or other appropriate communication to the principal.

3.2. **Knowledge of Relevant Circumstances** — The actuary should have or obtain sufficient knowledge of the relevant history, processes, procedures, nature of the business operations, and business environment of the entity, to be comfortable performing the professional services required by the engagement.

3.3. **Employed Actuaries** – Employed actuaries should interpret paragraphs 3.4 - 4.2 in the context of normal corporate or partnership practices, but following the same general principles. An employed actuary should also consider the expectations or needs of the principal and its expected use. These expectations might indicatesuggest that it may be appropriate to omit some of the otherwise required content in the report. However, limiting the content of a report may not be appropriate if that report or the findings in that report may receive broad distribution.

**Comment [sg19]:** 3.1 does not seem to be totally applicable to employed actuaries -- some of whom have employment contracts that may or may not be limited in time & scope. In this case, an employed actuary may be engaged to conduct a specific function(s) and anything else that may come up. All of these steps may not be appropriate or relevant, e.g., 3.1.2c - rather, is this specificity agreed to in advance -- more normally it is the responsibility of the employed actuary to develop this information her/himself. So, is such an actuary in violation or does he/she have a document when this is not provided?

Possibly a discussion of differences between employed actuary & others be included before current 3.1.1, rather than waiting for 3.3.

**Comment [sg20]:** Does this refer to employment contract? I'm not sure all of the subpoints relate very well to that. Alternatively could include 'as applicable to the stem.

Or this could refer to ongoing assignment

**Comment [sg21]:** I don't understand what 'terms' refers to -- there wouldn't be a contract if the contractual terms are agreed to -- shouldn't this better relate to scope, assignment, ongoing assignment, function...?

**Comment [sg22]:** 'able' is pretty subjective -- this may mean that the actuary has the ability to take a test; this be better expressed as 'expect to be able to'.

**Comment [sg23]:** Should this also include according to relevant standards practice?

**Comment [sg24]:** I can't figure out what direction this 'communication' relates to -- get information and give information and to whom?

**Comment [sg25]:** I don't know what type of limitations the actuary would be required to satisfy -- should be limitations/constraints that the actuary be expected to be subject to under or performing the services?

**Comment [sg26]:** I am not sure I understand the last phrase -- information of a principle should always be treated as confidential & sensitive, unless it is already in the public domain. In fact, if this is thought to be important, it should be its own paragraph -- that information

**Comment [sg27]:** I am unsure whether, without a modifier, what there is a sufficient difference between a procedure and a procedure for this type of document -- is there a need for both here?

**Comment [sg28]:** As indicated above, this should also cover 3.1 and 3.2 as well.

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If the responsible actuary believes circumstances are such that including certain content is not necessary or appropriate, the responsible actuary should be prepared to identify such circumstances and provide the rationale for limiting the content of the report.

**Comment [sg29]:** I don't understand why the RA should be prepared to identify the circumstances -- wouldn't it be more relevant to identify the reasons it is not necessary or appropriate? And should the RA be prepared before the work begins upon completion of the work product?

- 3.4. **Reliance on Others** - The actuary may use information prepared by another party such as data, relevant contracts, insurance contract/policy or pension plan provisions, projections, and supporting analyses. The actuary may take responsibility for such information, or the actuary may indicate/state that reliance has been placed upon the source of this/such information and disclaim responsibility.

**Comment [sg30]:** It could either be the source, the party who prepared the information, or the relative accuracy of information, within the range of materiality of the work.

- 3.4.1. If the actuary states reliance on the information prepared by another party and disclaims responsibility for it, the actuary should:

**Comment [sg31]:** Should be expressed the same as the prior sentence.

- a. disclose that fact in any report or other appropriate communication to the principal;
- b. disclose the extent of such reliance;
- c. examine the information for evident shortcomings;
- d. when practicable, review the information for reasonableness and consistency; and
- e. report details of the steps, if any, that the actuary took to determine whether it was appropriate to rely on the information.

**Comment [sg32]:** Shouldn't it be the 'nature and' rather than just to the 'extent' -- extent implies to me 50% or 100%, though I doubt if I could figure out.

- 3.4.2. If the actuary uses information prepared by another party under any other circumstances:

**Comment [sg33]:** I wouldn't know what 'details' would involve -- the amount of time on the phone trying to talk with source? In fact, this may be at a high level. I suggest deleting 'details' as being non-operational and difficult to determine what constitutes sufficient details.

- a. the actuary should determine that the use of that information conforms to relevant actuarial standards of practice and appropriate requirements in the jurisdiction(s) in which the actuary's services are performed; and
- b. the actuary should establish appropriate procedures for the supervision or review of the information prepared by others that/which the actuary intends to use.

**Comment [sg34]:** I am somewhat confused -- 3.4.1 uses responsible actuary while the rest of 3.4 uses actuary. Is the particular rationale for the difference? There may be, but I am uncertain, eg typically any actuary involved should be interested in reliance. In fact, there are several such references that I am unsure whether resp actuary or all actuaries are relevant to.

- 3.4.3. When deciding whether to use information prepared by another party, the actuary should consider the following:

- a. the other party's qualifications;
- b. the other party's competence, integrity, and objectivity;
- c. the other party's awareness of how the information is expected to be used;
- d. communications between the actuary and the other party regarding any known facts known by the actuary that are likely to have a material effect upon the information used;

**Comment [sg35]:** Shouldn't in the area be specified, or is that assumed to be incorporated in 'qualifications'? If so should that be spelled out?

**Comment [sg36]:** Reference to who knows it should be included.

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- e. the actuary's review of the other party's report or available working papers; and
  - f. satisfaction that the information used has been completed in accordance with relevant requirements.
- 3.4.4. If the information prepared by another party involves multiple reporting jurisdictions, the actuary should consider any differences in the law or recognized actuarial practice in the reporting jurisdictions compared to the requirements of the jurisdiction in which the party who prepared the information used is conducting its work.
- 3.5. **Materiality**- If materiality is determined by the responsible actuary (rather than someone else such as an auditor or the principal), "material" should be assessed from the point of view of the intended users, having regard to the purpose of the work product. Thus, an omission, understatement, or overstatement is material if the responsible actuary expects it to affect significantly either the intended user's decision-making or the intended user's reasonable expectations. The responsible actuary should select the threshold of materiality under which the work is being conducted, considering the work product and the entity that which is the subject of that work product.
- 3.6. **Data Quality**
- 3.6.1. Sources of data - To the extent possible and appropriate, the actuary should consider using data specific to the entity for which the assumptions are being made. Where such data are not available, relevant, and credible, the actuary should consider industry data or data from other similarly situated sources or organizations, modified as appropriate.
- 3.6.2. Sufficient and reliable data - The actuary should consider whether sufficient and reliable data relevant to the purpose are available to complete the assignment. Data are sufficient if they include the needed information for the work product. Data are reliable if that information is sufficiently accurate.
- 3.6.3. Testing and validation - The actuary should take reasonable steps to verify the consistency, completeness, and accuracy of the data used. These might include:
- a. undertaking reconciliations against financial statements, trial balances and/or other relevant records, if these are available;
  - b. testing the data for reasonableness against external data;
  - c. testing the data for internal consistency; and
  - d. comparing the data to that for a prior period or periods.
- 3.6.4. Data Deficiencies - The actuary should consider the possible effect of any data deficiencies (such as inadequacy, inconsistency, incompleteness, inaccuracy, and unreasonableness, etc.) on the results of the work product. If the such deficiencies in the data are not likely (in the actuary's professional judgment) to materially affect the results, then such deficiencies need not be considered. If material and the actuary cannot find a satisfactory way to resolve these material deficiencies in the data, then the actuary should consider whether to:
- a. decline to undertake or continue with the assignment;

**Comment [sg37]:** Since this is an 'a' does this mean that if the other party has not prepared a report that actuary cannot rely upon it? Possibly it should be 'available' report, but that then begs the question of the extent that the actuary is to inquire about the availability of the report.

**Comment [sg38]:** What does 'requirements' mean? Should this be requirements of the assignment, the actuary, of an acceptable benchmark, degree of 'accuracy', ...?

**Comment [sg39]:** If financial reporting then 'reporting' is the right word. If this relates to pricing, it might be better as 'multiple applicable jurisdictions'?

**Comment [sg40]:** I think this should cover all of the intended users or it might just relate to the recipient of the report.

**Comment [sg41]:** If the practice is in a situation in which the financial reporting auditing is involved, the use and reliance on an auditor who is trained to audit data could either be (1) described in this section or (2) be included in a separate financial reporting ISAP.

**Comment [sg42]:** I think I disagree with the general rule -- in several financial reporting circumstances (e.g., fair value measurement where relevant and reliable prices are available), inputs (data) from the market should be used, rather than to the entity. There needs to be a qualifier, such as where assumptions that relates to the expected performance of the entity is appropriate to be considered.

**Comment [sg43]:** I'm not sure that 'purpose' is the right phrase, but it needs some modifier.

**Comment [sg44]:** Financial reporting standards use 'relevant' or 'faithfully represent' -- I don't know which is best, these alternatives should be considered.

**Comment [sg45]:** I think that 'appropriate' is better -- otherwise the question of needed for what, eg the maximization of profits or prices could be selected.

**Comment [sg46]:** 'accurate' alone would not be adequate, as it could be an estimate, and how can an estimate be 'accurate'? Of course, if 'sufficient' is used.

**Comment [sg47]:** Possibly a better title for this section might be 'Validation'. The way it is, what is mentioned is verification, reconciliation, testing and comparing. So either a more generic title or instead of 'validation'.

**Comment [sg48]:** Possibly modify title by adding 'known or suspected'? Should data deficiencies always be anticipated, even where no indication of its existence is given? However, the actuary should always

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- b. work with the principal to modify the assignment or obtain appropriate data; or
- c. perform the assignment as well as possible and disclose the data deficiencies in the report.

### 3.7. Assumptions and Methodology

3.7.1. Selection of assumptions and methodology - The actuary should select the assumptions and a methodology (including models applied) that are, in the actuary's professional judgment, appropriate for the work product. In deciding upon appropriateness, ~~the~~ actuary should consider the needs of the intended users and the purpose of the professional services. In selecting assumptions and methodology, the actuary should consider the circumstances of the entity and the assignment, as well as relevant industry or professional practices. The actuary should consider to what extent it is appropriate to adjust assumptions corresponding to that adjust for known deficiencies in the available data.

3.7.2. Reasonableness of Assumptions - The actuary should consider the reasonableness of the assumptions underlying each component of the methodology used. Assumptions generally involve significant professional judgment as to the appropriateness of the methodology used and the parameters underlying the application of such methodology. Assumptions may (if permitted in the circumstances) be implicit or explicit and may involve the interpretation of historical past data or projection of future trends. The actuary should consider to what extent it is appropriate to use assumptions that (in the actuary's professional judgment) have a known significant bias to underestimation or overestimation of the result.

3.7.3. Internal Changes - The actuary should consider to what extent available experience used to set assumptions about how the entity's experience will develop/merge in the future should be adjusted as a result of internal changes in the entity (for example in claims processing).

3.7.4. External circumstances - The actuary should consider the external circumstances (including the legal, economic, legislative, regulatory, supervisory, demographic, technological, and social environments) on which the methodology and assumptions depend.

### 3.8. Assumption Setting

3.8.1. Individual assumptions and aggregate assumptions - The actuary should assess whether an assumption set, including assumptions supplied by the entity or mandated by government requirements, as applicable, is reasonable in the aggregate. While assumptions might be justifiable individually, it is possible that prudence or optimism in multiple assumptions will result in an aggregate assumption set that is no longer valid. If not valid, the actuary should make appropriate adjustments to achieve a reasonable assumption set and final estimate.

3.8.2. Internal consistency of assumptions - The actuary should determine that the assumptions used for different components of the work product are materially

**Comment [sg49]:** I usually combine these as components of estimates and/projections, but this title is probably OK

**Comment [sg50]:** Some this section seems to duplicate 3.8 -- I'm not sure w the difference between selection of assumptions and assumption setting. It might be better to combine 3.7 and 3.8, probably better have one devoted to assumptions and the other devoted to methodology/models. In addition, models are so important that a separate section models might be better as well.

**Comment [sg51]:** Should probably have a separate section or paragraph's the use of models, whether developed by the actuary or developed by an outside firm (might be categorized as internal or external model). Areas that might be covered include criteria/conditions in which reliance can be placed on external models (either those inside the entity or outside the control of the actuary or outside the entity, e.g. a software model an investment model), need to understand the approach taken by the external model validation, ... should be addressed.

**Comment [sg52]:** The introduction 'parameters' and 'assumptions' are quite confusing -- this needs to clarify the distinction. In financial reporting for example, parameter is favoured, as assumption is assumed to be subjective chosen. I prefer that these be defined.

**Comment [sg53]:** Of course, it could be both as well.

**Comment [sg54]:** In financial report it would be with respect to the measurement objective or the purpose the assumption, eg it could be to the

**Comment [sg55]:** Minor stylistic point -- some titles have all words with the first letter capped, while other titles have no words, other than the first, capped. Be consistent.

**Comment [sg56]:** I think that 3.7.3 3.7.4 should be constructed in a parallel fashion - the actuary should consider changes in internal and external conditions in the same manner.

**Comment [sg57]:** I suggest a paragraph describing credibility, that is, weighting or consideration of prior expectations, actual experience, related

**Comment [sg58]:** This uses 'reasonable', while in 3.7.1 uses 'appropriate'. First, the two sections probably be combined, but in the a less

**Comment [sg59]:** Isn't a more significant question whether assumptions have to be appropriate on an individual and/or aggregate basis? Shouldn't this be addressed? I think it is more likely that a

**Comment [sg60]:** Or 'result'

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consistent, that is, compatible, and that any significant interdependencies are modeled appropriately. If not, the actuary should disclose any material inconsistency in actuary's report.

3.8.3. Alternative assumptions and sensitivity testing - The actuary should consider and appropriately address the sensitivity of the methodology to the effect of variations in key assumptions, unless constrained by the assignment. In determining whether sensitivity has been appropriately considered~~addressed~~, the actuary should consider the intended purpose and use of the analysis and whether the results of the sensitivity tests reflect a reasonable range of variation in the key assumptions, consistent with that intended purpose and use.

3.8.4. Assumptions requested by the principal - When the principal requests results using~~under~~ a particular set of assumptions that are different from those that the actuary would have selected without this request's assumptions, the actuary may provide the principal with the results based on such assumptions, subject to appropriate disclosure in the report of those results.

### 3.9. Process Management

3.9.1. Process Controls - The actuary should consider to what extent, if any, the procedures needed to carry out the work product should be controlled, and if so how.

3.9.2. Reasonableness Checks - The actuary should review the results produced by the selected assumptions and methodology for overall reasonableness.

3.9.3. Sensitivity of results - When the responsible actuary determines that the use of reasonable alternative assumptions or of a different reasonable methodology would have a material effect on the results, the responsible actuary should notify the principal and attempt to discuss the anticipated effect of this sensitivity on the results~~analysis~~ with the principal.

### 3.10. Responsibility for Assumptions and Methodology

3.10.1. The actuary's report should identify the party responsible for each significant assumption. Where the report is silent about any assumption or methodology, the actuariness who authored or co-authored the report will be assumed to have taken responsibility for~~endorsed~~ that use of the methodology and assumption.

3.10.2. If a material assumption or methodology is selected by another party, the actuary has three choices:

- if the assumption or methodology does not conflict significantly with what would be reasonable (in the actuary's professional judgment), the actuary has no disclosure obligation;
- if the assumption or methodology significantly conflicts with what (in the actuary's professional judgment) would be reasonable (in the actuary's professional judgment) for the purpose of the assignment, the actuary should disclose this in the report ~~that fact~~, the party who set the

**Comment [sg61]:** Does this have to be done explicitly? 3.7.2 indicates assumptions can be implicit; can interdependencies be implicit? If not, then we might have to revisit 3.7.2 in some way - may it should say any material assumption should be explicit, where appropriate (or something to that effect)

**Comment [sg62]:** Shouldn't it be 'model' rather than the 'methodology' could be both?

**Comment [sg63]:** Does every engagement have an analysis? Should this be 'assignment' or 'work product'? Should this be somewhat expanded by discussing of 'scenarios'?

**Comment [sg64]:** I don't understand this 'may'. So, even if it is planned that the actuary can refuse to provide such results, or the actuary should always provide such results to the extent practical? Or maybe 'may' is here for a different reason that I can't figure out.

**Comment [sg65]:** Controlled should be a defined term. 'Controls' is a specific auditing term. Possibly 'managed' would be better, and more consistent with the title of the section. Other items could be included, such as separation of responsibilities, testing for completeness ...

**Comment [sg66]:** I'm not sure why 'attempt' is here. To what extent should the attempt be? It might be better to 'communicate', rather than 'attempt to discuss'.

**Comment [sg67]:** It would seem that this should be moved ahead of the 'Management' section.

**Comment [sg68]:** I thought that the responsible actuary was responsible for all assumptions unless a reliance was placed on someone else or another. Why is the 'actuary who authored the report' used here? And what happens if there are co-authors? ... Or possibly something like 'in charge of' what is intended here?

**Comment [sg69]:** What happens if there are co-authors?

**Comment [sg70]:** I don't understand this expression here. Like, to whom?

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assumption or methodology, and the reason why this party, rather than the actuary, ~~has~~ set the assumption or methodology;

- c. if the actuary has been unable to judge the reasonableness of the assumption or methodology without performing a substantial amount of additional work beyond the scope of the assignment, or if the actuary was not qualified to ~~assess~~judge the reasonableness of the assumption, the actuary should disclose ~~this~~ in the ~~report~~that fact, the party who set the assumption or methodology, and the reason that this party, rather than the actuary, ~~has~~ set the assumption or methodology.

3.11. **Peer Review** – The responsible actuary should consider to what extent it is appropriate for the work product to be reviewed by a knowledgeable, experienced actuary who has not ~~worked on~~performed any component of the work product before the final work product is delivered to the principal or distributed to the intended users. In the case of an employed actuary this ~~requirement~~ may not apply where ~~the~~ delivery is made to other actuaries within the ~~entity~~organisation, or where the ~~entity~~organisation's normal operations will lead to appropriate review in the normal course of events.

3.12. **Documentation** – The actuary should retain sufficient documentation for a reasonable period of time so that another suitably qualified actuary could assume an ~~ensue~~resulting assignment of the same type. The actuary should determine the meanings of “sufficient”, “reasonable”, “suitably qualified”, and “resulting assignment” based on the actuary's professional judgment and the specific circumstances ~~involved~~of the engagement.

Comment [sg71]: I don't know how one would perform a component.

## Section 4. Communications and Disclosures

### 4.1. Communication

4.1.1. **Form and Content**—The responsible actuary should ~~determine~~select the form and content of each communication to be appropriate to the particular circumstances, taking into account the intended users.

**Comment [sg72]:** 'select' sounds too much like a formal decision-making process.

4.1.2. **Clarity**—The responsible actuary should word each communication ~~in a~~to be clear manner and use language appropriate to the particular circumstances, taking into account the intended users.

4.1.3. **Timing of Communication**—The responsible actuary should issue each communication within a reasonable time period, unless other arrangements as to timing have been made. In setting the timing of the communication, the needs of the intended users should be considered.

4.1.4. **Identification of Responsible Actuary** - ~~Any~~communication should clearly identify the responsible actuary. When two or more individuals jointly issue a communication, at least some of which is actuarial in nature, the communication should identify all responsible actuaries, unless the actuaries judge it inappropriate to do so. The name of an organization with which each actuary is affiliated also may be included in the communication, but the actuary's responsibilities are not affected by such identification. Unless the actuary judges it inappropriate (which may particularly apply to an employed actuary), any communication should also indicate the extent to which the actuary is available to provide supplementary information and explanation.

**Comment [sg73]:** Any?

4.2. **Report** - The actuary should complete a report if the actuary intends the results of professional services to be relied upon by any intended user. The actuary should consider the needs of the intended user in ~~determining~~communicating the content of results in the report.

**Comment [sg74]:** Results of any professional service? There are many services, eg a phone call of less than an hour -- does each have to have a report? There has to be some limit.

4.2.1. **Content** - A report may comprise one or several documents. ~~The report that~~ may be presented in several different formats. Where a report for a specific intended user comprises multiple documents, the actuary should ~~indicate~~communicate which documents comprise the report. The actuary should ensure that report components in electronic media are such that they can be reliably reproduced at future dates. ~~In the report,~~ the actuary should:

**Comment [sg75]:** Why restrict a requirement of reproducibility to those components in electronic form?

- a. state the intended scope and use of the report.
- b. state the results of the professional services provided, and identify the methods, procedures, assumptions, and data used. The actuary should present this information with sufficient clarity that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the actuary's work product.

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- c. include in the report sufficient information and discussion such that the principal, or any intended user, will be able to form a view on the implications of the actuary's recommendations.
- 4.2.2. Legal, legislative, regulatory, or supervisory constraints – The content of a report may be constrained by circumstances such as legal, legislative, regulatory, or supervisory proceedings. The actuary should follow the guidance of this standard to the extent reasonably possible within such constraints.
- 4.2.3. Specific disclosures – The actuary should include the following information in a report:
- executive summary
  - introduction or background
  - sections on data, methodology and assumptions
  - results and findings
  - analysis of results, where included
  - subsequent events, if applicable
  - actuary's name, signature, position held and date (employed actuaries should follow the entity's applicable normal internal protocol).
- 4.2.4. Actuaries other than employed actuaries - Actuaries, other than employed actuaries submitting internal reports, should also disclose:
- ~~statement of~~ qualifications to conduct the assignment
  - code of conduct and actuarial standards of practice under which theis assignment was performed, if there is any possible ambiguity
  - any restriction on distribution to third parties
  - attestations and reliances.
- 4.2.5. Shorter reports - The guidance in this ISAP applies to any full report produced, but there are occasions when the actuary is asked to produce shorter reports or statements ~~covering the work~~. Such reports do not have to, and cannot, contain all the details of the ~~completefull~~ report, but the full report should be available to any intended user identified by the principal or the sponsor, or anyone who has to take over the task of any further work or subsequent reports.
- 4.3. **Deviation from Guidance in this Standard** - The actuary should be prepared to provide the rationale for the use of any procedures that depart materially from those set forth in this ISAP and should include, in any report, an appropriate statement with respect to the nature, rationale, and effect of such departures. If a conflict exists between this standard and applicable law or regulation, compliance with applicable law or regulation is not considered to be a deviation from this ISAP.

**Comment [sg76]:** Note that these constraints can also include other standards, e.g., financial reporting standards or a company's accounting

**Comment [sg77]:** I don't understand why it is required to include a signature; the name should be sufficient. For example, I rarely see a signature in an email report.