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Chair Interim Actuarial Standards Subcommittee  
International Actuarial Association  
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Dear Dave

### **ISAP 1 – Comments on Revision**

As requested, the FRC has reviewed the revised ISAP 1 - General Actuarial Practice.

#### **Areas of agreement**

We consider that the revised proposal is a considerable improvement on the exposure draft. In particular we consider the amended purpose (paragraph 1.1) and the general principle to ensure communications take account of users' skills and understanding (paragraph 4.1) reflect in full two of our major concerns.

We welcome the move to make the ISAP less prescriptive with regard to the structure of reports and the inclusion of elements requiring the reporting of the effects of risk and uncertainty in paragraph 4.2.1(b). The changes reduce our concerns over the rules-based nature of some of the requirements of the exposure draft and the lack of mention of risk and uncertainty which is inherent in actuarial work.

#### **Scope and definition of actuarial work**

We recognise that there has been some tightening of the definition of actuarial work in paragraph 2.14, which defines the scope of the ISAP, but the definition is convoluted and potentially includes work which might not be perceived as actuarial work.

We remain concerned with the continuing focus on activities performed by an actuary. We consider that this focus risks reinforcing the perception of the insularity of the actuarial profession both among users of actuarial work and actuaries themselves.

As we said in our response to the exposure draft, we consider that an important advantage of targeting standards at actuarial work rather than actuaries is that it enables regulators and users to require work to be performed in compliance with those standards whether it is undertaken by actuaries or not. We consider that this approach can promote high quality actuarial work but without imposing a disproportionate burden on individual actuaries. This will be particularly relevant in Europe where the Solvency II insurance regulation will not require the work of the actuarial function, coordination of the calculation of technical provisions or risk modelling work, to be performed by a member of an actuarial professional body; similarly the work of an insurer's risk function is not required to be carried out by an

actuary although actuarial standards for ERM work, including ISAP1, might usefully be applied.

An additional advantage of targeting actuarial work rather than actuaries is that it avoids the need to duplicate professional conduct standards, and allows the IAA to tailor the scope of its standards for actuarial work appropriately.

We are still concerned that the proposed scope is too wide where technical matters are covered and this will therefore make it difficult for the FRC to confirm that its technical actuarial standards (TASs) are substantially consistent with the ISAP 1. We consider that such a wide scope risks making full application of the standard disproportionate for some work.

The feedback statement acknowledges our original response that the scope of ISAP 1 might be initially limited to actuarial work that regulations or other legal obligations require to be performed by an actuary. However there might be other intermediate options between this approach and the approach presented in ISAP. For example, the scope might be extended to include:

- reserved work;
- actuarial work concerning the application of IFRS;
- specified actuarial work concerning Social Security matters; and
- actuarial work which is presented as complying with professional standards either expressly or by implication.

This list might be extended by the IAA or national standard-setters.

We note that actuarial work concerning IFRS 4 (and UK GAAP for insurers) and IAS 19 is already within the scope of the FRC's TASs.

## **Proportionality**

We note that there has been some attempt to allow for proportionate application in paragraph 1.5. However, in our standards we include a more direct reference to proportionality by including the following paragraphs in all our standards:

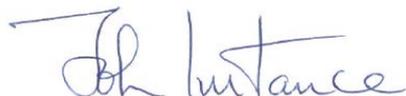
*Nothing in this standard should be interpreted as requiring work to be performed that is not proportionate to the scope of the decision or the assignment to which it relates and the benefit that users would be expected to obtain from the work.*

*The form that is taken by any explanations, rationales, descriptions, indications or other analyses required by this standard will need to depend on the scope of the work being performed and the benefit to users. The level of detail required is a matter for judgement. Unless stated otherwise, analyses may be quantitative or qualitative.*

## User input

Finally, we wonder what input the IASSC has sought and received from users and other non-actuarial organisations that might have an interest in the quality of actuarial work. We note that all but one of the comments appear to have come from actuarial bodies or individual actuaries. As the current IAA standard-setting structure has no independent oversight we consider it important that the IASSC makes an effort to test the proposals with non-actuaries.

Yours sincerely

A handwritten signature in blue ink that reads "John Instance". The signature is written in a cursive style with a large initial "J" and "I".

**John Instance**

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