



17 September 2012

Mr Dave Pelletier
Chair - IASSC
International Actuarial Association
601-150 Metcalfe
Ottawa ON
Canada K2P 1P1

via email to: ISAP.comments@actuaries.org

Dear Mr Pelletier

Confirmation re ISAP 1 General Actuarial Practice (“ISAP 1”)

The Institute of Actuaries of Australia (“Institute”) congratulates the IASSC on its efforts in reviewing submissions on the Exposure Draft of ISAP 1 and producing a much-improved ISAP as a result.

Comments on proposed final of ISAP 1

Scope of ISAP 1

We note that many of the key comments made in our submission of 1 December 2011 have been dealt with in the proposed final of ISAP 1. However, one particular point – dealing with the scope of ISAP 1 – still needs, in the Institute’s view, to be addressed.

As the Institute submitted at the time, it considered that the original definition of “Professional Services” was too broad:

“17. ... the Institute considers it important not to impose undue burden on actuaries in relation to non-actuarial work (for example, in terms of reporting), most particularly because this may place actuaries at a competitive disadvantage relative to non-actuaries in relation to such work. Any such differences in burden, absent probative public interest or reputational considerations, do not represent sound professional regulatory practice.

19. The Institute therefore recommends that the IAA develop a definition of “professional services” which includes the appropriate target ‘traditional’ activities of actuaries (including financial reporting, regulatory reporting, major funding advice and (perhaps) whenever another **technical** professional practice standard applies) ...”

The Institute acknowledges that the amended and re-named definition of “Actuarial Services” does represent an improvement on the previous “Professional Services” definition.

Institute of Actuaries of Australia
ABN 69 000 423 656

Level 7, 4 Martin Place, Sydney NSW Australia 2000
t +61 (0) 2 9233 3466 f +61 (0) 2 9233 3446

e actuaries@actuaries.asn.au w www.actuaries.asn.au

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However, the Institute considers that the definition is still too broad for similar reasons as outlined in its earlier submission.

Weakness of certain requirements

As the IASSC would be aware, the Institute has strong views regarding the need for a standard to be mandatory and not merely guidance. However, even where this is not the case, it considers that the guidance given should still be such as not to undermine, or render ineffective, the instrument or intended policy goals.

In this regard, the Institute draws attention to examples of where it considers the requirements in ISAP 1 to be particularly weak, including:

- (a) Section 1.3.3: An actuary may depart from the ISAP while still complying if there is an appropriate statement with regard to the nature, rationale and effect of the departure;
- (b) Section 1.5.1: Judgements are reasonable if they take into account appropriate constraints on time and resources; and
- (c) Sections 3.8.2 and 3.8.3: These sections permit use of assumptions and methodology set by another party, even if they significantly conflict with what is reasonable.

The Institute envisages that these examples could be used to put actuaries under pressure in terms of scope of work and approach adopted, which could compromise the quality of the work performed. Undesirably, this could well be to the detriment of both the public interest and the profession's reputation.

Adoption of proposed final of ISAP 1

Given that adoption of ISAP 1 by IAA member associations is not mandatory, the Institute does not consider it likely that it would oppose adoption of the current version of ISAP 1 at the forthcoming IAA Council meeting. However, it would urge the IASSC to reconsider the matters highlighted above notwithstanding. As the first ISAP, it can only advance the profession's interests to ensure that the final document is robust and effective.

Please do not hesitate to contact me, at anne.peters@actuaries.asn.au, if you have any questions in relation to these comments.

Yours sincerely



Anne Peters
Director – Governance and Regulation
Institute of Actuaries of Australia