

Comments on ISAP 1 round 2

Date	From	On behalf of	Points	Disposition	Discussion
30 Aug	Félix Arias Bergadá	Col.legi d'Actuaris de Catalunya	ISAP is fine	N/A	Gracias
5 Sept	Pierre Mieke	Institut des Actuaires (France)	<p>Wants principle of proportionality explicitly stated</p> <p>Restrict scope of communications to formalized final communications</p> <p>Restrict to written communications only, as not possible to control oral communications</p>	<p>Added as new 1.5.2</p> <p>No change</p>	<p>This promotes form over substance which is dangerous. The US actually had a case where an actuary asserted that a report was not subject to the communication standard since it was a memo, not a report. Many appraisal reports for even very large transactions never become “final.”</p> <p>Objectives of the standards apply to communications whether written or oral. We agree that control not possible in the same way with oral communications, but it does not follow that they should be exempt.</p>
10 Sept	Sam Gutterman	Personal	Extensive mark up, some points of substance and many style and grammar comments	Most of the substantive points a clear improvement over the previous version, and we used eight of them.	<p>Andrew Melvin (ISAP editor) assisted us in this effort.</p> <p>We did not use style changes. We have adopted a style guide since many style points are matters of personal preference.</p>

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			[Old] 1.5.2 sends the wrong message. It implies other work can be done to a less exacting standard	We deleted 1.5.2	
11 Sept	Ralph Blanchard	Personal	Concern with 3.9	Revised 3.9	Old 3.9 was a categorical prohibition. New 3.9 gives the actuary the job of determining suitability.
15 Sept	Yvonne Lynch	Society of Actuaries Ireland	Scope is too broad and should be restricted to financial reporting The definition of “actuary” might include trainee actuaries	No change No change	See Scope below Each FMA defines who its members are. Presumably all members of an FMA are bound by its code of conduct which must require compliance with standards of practice (IAA internal regulations 2.2.2.f.v). Thus it would seem difficult to carve out trainee actuaries who are members of the FMA.

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			<p>The ISAP seems to have been written from the perspective of consulting actuaries and does not capture adequately the position of the employed actuary</p> <p>Paragraphs 1.4.4 and 1.5 are open to a wide range of interpretation</p> <p>The actuary should only have to check an individual relied upon if the actuary chose that person.</p>	<p>Inclusion of the proportionality principle in new 1.5.2</p> <p>Edited 1.4.4 to resolve.</p> <p>Inclusion of the proportionality principle in new 1.5.2 also helps</p> <p>Edited 3.3 and 3.3.1 to resolve</p>	<p>The IASSC believe current 1.4.4 combined with the new 1.5.2 about proportionality appropriately addresses the matter for employed actuaries. These make clear that, as a principle (and without any descriptive and concrete rules), employed actuaries have to be sensitive to their corporate environment. They will have to decide which of the requirements of the ISAP should not apply to internal assignments.</p>

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			<p>Not enough small/medium FMAs commented</p>	<p>No action</p>	<p>Of the 13 FMAs who responded 3 have 2 votes, 5 have 3 votes, 2 have 4 votes, 1 has 5 votes, and 2 have 8 votes. It is unfortunate that we did not receive comments from any 1 vote members. We wonder if they do not have the resources to respond.</p> <p>The comment period was long, and we received a relatively large number of comments. The PC found we substantially followed due process.</p> <p>It is beyond the mandate of the IASSC to address the IAA policy of how it reaches out to small FMAs. The IASSC do not believe that if the scope had been restricted or some issues in the exposure draft had been handled differently then small FMAs would have exhibited a higher response rate.</p>
<p>15 Sept</p>	<p>John Instance</p>	<p>FRC (UK)</p>	<p>Definition of “work” may include non actuarial services</p>	<p>No change</p>	<p>The first sentence of the definition reads “All actuarial activities performed by an actuary related to actuarial services.” This seems clear.</p>

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			<p>ISAP should apply to actuarial work, not actuaries</p> <p>Scope should be limited to a defined list of activities (reserved work, IFRS, etc.)</p> <p>The solvency II principle of proportionality should be incorporated verbatim</p> <p>What attempt was made to get user input?</p>	<p>No change</p> <p>No change</p> <p>Added as new 1.5.2</p>	<p>An FMA can only discipline its members. It cannot require non members to comply with its standards. A regulator could still require that non actuaries doing actuarial work comply with ISAP 1.</p> <p>See Scope below</p> <p>Comments were solicited from Institutional and observer members (IASB, IAIS, IOPS, ISSA, OECD and Asian Development Bank). We are working on expanding this list.</p>
17 Sept	Jean-Claude Menard	Office of Chief Actuary (Canada)	Supports ISAP as drafted	N/A	Merci
17 Sept	Nick Dumbreck	I&FA (UK)	<p>The scope, although tightened from the first version, continues to be too wide.</p> <p>Principle of proportionality should be included</p>	<p>Adjusted 1.2.1</p> <p>Added as new 1.5.2</p>	See Scope below

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			The ISAP is too prescriptive in style	No change	This is really a matter of judgment.
17 Sept	Anne Peters	Institute of Actuaries of Australia	Scope has been narrowed but is still too broad Some guidance in the ISAP (e.g., 1.3.3, 1.5.1, 3.8.2, and 3.8.3) are too weak	No change No change	See Scope below We feel that the room provided for professional judgment is important. Regarding 1.3.3, 3.8.2 and 3.8.3, at times (perhaps due to statutory requirements), actuaries do have to utilize assumptions considered unreasonable; the standard has to deal with such situations and these provisions do so.
14 Sept 20 Sept	Al Beer (for Bob Meilander)	Actuarial Standards Board (US) [The ASB believed it had submitted its letter 14 Sept but the IAA did not receive it. The ASB resent it 20 Sept]	We would prefer that section 3.7.7 on the concept of sensitivity testing be removed.	No change	The ASB letter recognized that the IASSC would probably not make this change and indicated it would accept that.

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			<p>We would prefer that section 3.11 (peer review) be removed. Even though the requirements have been reduced somewhat, we believe that the inclusion of peer review as written is still impractical and largely unworkable.</p>	<p>No change</p>	<p>The ASB letter recognized that the IASSC would probably not make this change and indicated it would accept that.</p>

Scope

The IASSC has the mandate (from the discussions at the Vienna meeting) to develop an ISAP on general actuarial practice. The scope of this ISAP should be all actuarial work done by actuaries but should not spill over into non actuarial work done by actuaries (such as management or marketing). We believe that the proposed ISAP clearly articulates that scope. However we made an edit to 1.2.1 to make this clearer.

We cannot meet that charge if we limit the scope of ISAP 1 to some, but not all actuarial work. Furthermore we do not feel it is appropriate to so limit the scope. This ISAP concerns assumption setting, data handling and communication. These are activities of virtually all actuarial work (and a lot of non actuarial work but that is beyond our scope). If the scope were restricted to specified types of actuarial work we implicitly say there is one quality requirement for that specified work but a lesser quality requirement for other work. This has been compared to a traffic law stating “you must stop for a red light, but only in Paris.”

If the scope was restricted then we would not have a general practice standard, as our mandate required, but a standard specific to some practice areas. We believe that the general nature requires the scope in the draft - all actuarial services performed by an actuary.