

Item 8a – EC Aug 28 agenda

ISAP 1 General Actuarial Practice

August 2012

This document contains the proposed final version of ISAP 1 General Actuarial Practice ~~that~~^{which} was approved by the IASSC on 13 August 2012 and is submitted to the Executive Committee for transmittal to Council for approval.

Comment [sg1]: There are several places where 'which' is used that grammatically 'that' is appropriate - I have not noted this other than this case though.

A companion document, Report on Exposure Process for ISAP 1, has been submitted to the Professionalism Committee for its review. That document:

- Details how the ISAP was exposed;
- Summarizes the comments received; and
- Describes the IASSC's actions along with its reasons.

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Proposed ISAP

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

[November 2012]

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Preface

[Drafting Notes – When an actuarial standard-setting organization adopts this standard it should:

- 1. Replace “ISAP” throughout the document with the local standard name;*
- 2. Choose the appropriate phrase and date in paragraph 1.8;*
- 3. Choose the appropriate phrase in sub-paragraph 3.1.2.a;*
- 4. Review for, and resolve, any conflicts with the local [law](#) and code of professional conduct; and*
- 5. Delete this preface (including these drafting notes).]*

This International Standard of Actuarial Practice (ISAP) is a model for actuarial standard-setting bodies to consider. The International Actuarial Association ([IAA](#)) encourages relevant actuarial standard-setting bodies to consider taking one of the following courses of action, if it has been determined that this ISAP is relevant for actuaries in their jurisdiction:

- Adopting this ISAP as a standard with appropriate modification, where items covered in this ISAP are not currently contained in existing actuarial standards, or where such portions of existing actuarial standards are to be withdrawn;
- Endorsing this ISAP as a standard as an alternative to existing standards;
- Modifying existing standards to obtain substantial consistency with this ISAP; or
- Confirming that existing standards are already substantially consistent with this ISAP.

Such an adopted standard (rather than this ISAP) applies to 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 ISAP 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 work has been performed in compliance with this ISAP.

This ISAP was adopted by the [IAA](#) Council in [month year].

Section 1. General

1.1. Purpose – This ISAP provides guidance to [actuaries](#) when performing [actuarial services](#) to give [intended users](#) confidence that

- [Actuarial services](#) are carried out professionally and with due care;
- The results are relevant to their needs, are presented clearly and understandably, and are complete; and
- The assumptions and methodology (including, but not limited to, models and modelling techniques) used are disclosed appropriately.

1.2. Scope

1.2.1. This ISAP is a general standard. It applies to all [work](#) performed by an [actuary](#) unless an element of guidance is explicitly superseded by another standard such as a practice-specific standard or by [law](#).

1.2.2. Usually, the intent of a practice-specific standard is to narrow the range of practice considered acceptable under the general standards. In exceptional cases, however, the intent of a practice-specific standard is to define as acceptable a practice ~~that~~^{which} would not be acceptable under the general standards, in which case that intent is specifically noted by words in a practice-specific standard like: “Notwithstanding the general standards, the [actuary](#) should . . .”, followed by a description of the exception.

1.3. Compliance – There are situations where an [actuary](#) may deviate from the guidance of this ISAP but still comply with the ISAP:

1.3.1. [Law](#) may impose obligations upon an [actuary](#). Compliance with requirements of [law](#) that conflict with this ISAP is not a deviation from the ISAP.

1.3.2. The actuarial code of professional conduct applicable to the [work](#) may conflict with this ISAP. Compliance with requirements of the code that conflict with this ISAP is not a deviation from the ISAP.

1.3.3. The [actuary](#) may depart from the guidance in this ISAP while still complying with the ISAP if the [actuary](#) provides, in any [report](#), an ~~appropriate~~ statement ~~describing why this departure is appropriate, as well as with respect to~~ the nature, ~~rationale~~, and effect of ~~the any such~~ departure.

Comment [sg2]: I don't believe that statement would be appropriate.

1.4. Applicability – This ISAP applies to [actuaries](#) when performing [actuarial services](#). An [actuary](#) who is performing these [actuarial services](#) may be acting in one of several capacities such as an employee, management, director, external adviser, auditor, or supervisory authority of the [entity](#).

1.4.1. The application of this ISAP is clear when a single consulting [actuary](#) is performing [actuarial services](#) for a client who is not affiliated with the [actuary](#).

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- 1.4.2. There are at least two general cases which do not meet the criterion stated in 1.4.1:
- A team of [actuaries](#) is performing [actuarial services](#); or
 - An [actuary](#) is performing [actuarial services](#) for an affiliated party (such as the [actuary](#)'s employer or affiliated entities within a group under common control).
- 1.4.3. When a team is performing [actuarial services](#), most paragraphs of this ISAP apply to every [actuary](#) on the team. However, requirements in some paragraphs need not be met by every [actuary](#) on the team personally (e.g., 3.1.1). In the case of such paragraphs, each [actuary](#) on the team should identify, if relevant to that [actuary](#)'s [work](#), which member of the team is responsible for complying with such requirements and be satisfied that the other team member accepts that responsibility.
- 1.4.4. If an [actuary](#) is performing [actuarial services](#) for an affiliated [party](#) the [actuary](#) should interpret this ISAP in the context of normal corporate or partnership practices, but following the general principles of this [ISAP](#):
- The [actuary](#) should consider the [expectations](#) of the [principal](#). These expectations might suggest that it may be appropriate to omit some of the otherwise required content in the [actuary](#)'s [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.
 - If the [actuary](#) believes circumstances are such that including certain content in the [report](#) is not necessary or appropriate, the [actuary](#) should be prepared (if challenged by a professional actuarial body with jurisdiction over the [actuarial services](#)) to describe these circumstances and provide the rationale for limiting the content of the [report](#).

1.5. Reasonable [Judgment](#) – The [actuary](#) should exercise reasonable judgment in applying this ISAP.

- 1.5.1. A judgment is reasonable if it takes into account:
- The spirit and intent of [relevant](#) ISAPs;
 - The type of assignment; and
 - Appropriate constraints on time and [resources](#).
- 1.5.2. In particular the [actuary](#) should be [cautious](#) exercising reasonable judgment in statutory, supervisory, and financial reporting assignments which usually require considerable rigour.
- 1.5.3. Any judgment required by the ISAP (including implicit judgment) is intended to be the [actuary's professional judgment](#) unless otherwise stated.

Comment [sg3]: I can't figure out whether this refers to an affiliated party the actuary or the principle, ...? It should be clarified.

Comment [sg4]: I can't figure out whether the two subpoints relate to the stem -- or missing something?

Comment [sg5]: This seems terrible unless I am reading it incorrectly. If the expectations relate to the content of the report, the result would be unprofessional - if it relates to the structure of the report or something structural (that is, include something in workpapers rather than a report, that might be OK.

Possibly clarifying it to restrict it to structure?

Comment [sg6]: I don't understand this section -- why is it in general and not in definition or general text?

Comment [sg7]: This doesn't sound good -- does this imply that if an actuary has time constraints that the definition of reasonable can be different? If an actuary can't use a computer, then judgment differs? This sounds to me that the less time/resources allocated, the looser the criteria should be that the conclusions are reasonable? Not many judges would agree with this one.

Comment [sg8]: Does this mean that an actuary doesn't have to be cautious if the actuary is doing a pricing assignment? I think all assignments should be expected to be done 'with rigour'. What guidance does this provide?

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1.6. Language

- 1.6.1. Some of the language used in all ISAPs 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:
- “Must” means that the indicated action is mandatory and failure to follow the indicated action will constitute a departure from this ISAP.
 - “Should” (or “shall”) means that, under normal circumstances, the [actuary](#) is expected to follow the indicated action, unless to do so would produce a result that would be inappropriate or would potentially mislead the [intended users](#) of the [actuarial services](#). If the indicated action is not followed, the [actuary](#) should disclose that fact and provide the reason for not following the indicated action.
 - “May” means that the indicated action is not required, nor even necessarily expected, but in certain circumstances is an appropriate activity, possibly among other alternatives. Note that “might” is not used as a synonym for may, but rather with its normal meaning.
- 1.6.2. This document uses [certain various](#) expressions whose precise meaning is defined in section 2. These expressions are highlighted in the text with a dashed underscore and in blue, which is also a hyperlink to the definition (e.g., [actuary](#)).
- 1.7. Cross-References** – When this ISAP refers to the content of another document, the reference relates to the referenced document as it is effective on the [adoption date](#) as shown on the cover page of this ISAP. The referenced document may be amended, restated, revoked, or replaced after the [adoption date](#). In such a case, the [actuary](#) should consider the extent the modification is applicable and appropriate to the guidance in this ISAP.
- 1.8. Effective Date** – This ISAP is effective for {[actuarial services](#) performed/[actuarial services](#) commenced/[actuarial services](#) performed relevant to an event}¹ on or after [Date].

Comment [sg9]: This seems a better word to me, but this is just a personal opinion.

¹ Phrase to be selected and date to be inserted by standard-setter adopting or endorsing this ISAP.

Section 2. Definitions

The terms below are defined for use in this ISAP.

- 2.1. **Accepted ~~A~~actuarial ~~P~~practice** – A practice or practices that are generally recognized within the actuarial profession as appropriate to use in the performance of actuarial services under an ISAP or the applicable professional standards of practice.
- 2.2. **Actuarial ~~S~~services** – Services, based upon actuarial considerations, provided to intended users that may include the rendering of advice, recommendations, findings, or opinions.
- 2.3. **Actuary** – An individual member of one of the member associations of the IAA.
- 2.4. **Adoption ~~D~~date** – The date on which this ISAP was adopted as a final document by the IAA Council.
- 2.5. **Communication** – Any statement (including oral statements) issued or made by an actuary with respect to actuarial services.
- 2.6. **Entity** – The subject, in whole or in part, of the actuarial services, including an enterprise, an insurer, a pensions or benefits plan, a social security scheme, an individual, a government department or agency, a group, etc.
- 2.7. **IAA** – The International Actuarial Association.
- 2.8. **Intended ~~U~~user** – Any legal or natural person (usually including the principal) whom the actuary intends at the time the actuary performs the actuarial services to use the report.
- 2.9. **Law** – Applicable acts, statutes, regulations, or any other binding authority (such as accounting standards and any regulatory guidance that is effectively binding).
- 2.10. **Principal** – The party who engages the provider of actuarial services. The principal will usually be the client or the employer of the actuary.
- 2.11. **Professional ~~J~~judgment** – The judgment of the actuary based on actuarial training and experience.
- 2.12. **Report** – The actuary's communication(s) presenting some or all results of actuarial services to an intended user in any recorded form, including but not limited to paper, word processing or spreadsheet files, e-mail, website, slide presentations, or audio or video recordings.
- 2.13. **Subsequent ~~E~~event** – An event of which the actuary becomes aware after the valuation date (or date to which the actuarial services refer) but before the actuary's communication on the results of these actuarial services is delivered.
- 2.14. **Work** – All actuarial activities performed by an actuary related to actuarial services. It usually includes acquisition of knowledge of the circumstances of the assignment, obtaining sufficient and reliable data and information, selection of assumptions and methodology, calculations and

Comment [sg10]: Capitalizing this words seems strange - nowhere in the t are these capitalized.

Comment [sg11]: This insertion ma be personal preference, but I don't think practice performs, but is used in the performance of...

Comment [sg12]: I'm not sure what 'under' refers to -- possibly 'within the scope of'?

Comment [sg13]: This is a strange series -- usually series are constructed in parallel, like 'acquiring..., obtaining,...

Comment [sg14]: Maybe too picky, is data a subset of information or the converse? I think that in some places 'information' includes data. If a subset, should the actuary obtain sufficient information (that is, I presume, qualitative information?) This comment also relates later parts of the standard as well.

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examination of the reasonableness of their result, use of other persons' work, formulation of opinion and advice, documentation, reporting, and all other [communication](#).

Section 3. Appropriate Practices

3.1. Acceptance of Assignment

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

- a. The role of the principal;
- b. Any limitations or constraints on the actuary;
- c. Any additional requirements that the actuary is required to satisfy;
- d. Identification of the schedule and expected cost or resources needed (especially if they are substantial); and
- e. The information needed to be communicated to and by the actuary, especially if the information~~#~~ is sensitive or confidential.

Comment [sg15]: I think that this should refer to all requirements, as it is not clear what the base requirements refer to.

Comment [sg16]: I'm not sure what 'schedule' refers to -- I think c would include timeframe/dates.

Comment [sg17]: I'm not sure whether 'cost or resources needed' properly includes 'price' of a consulting engagement, although it might.

3.1.2. In accepting an assignment for actuarial services, the actuary shall:

- a. *{If adopting standard-setter has a standard on qualifications}* Be qualified under *[name of standard]* to perform the services, or become qualified before the services are delivered;

{If adopting standard-setter does not have a standard on qualifications} Be competent and appropriately experienced to perform the services²;
- b. Be satisfied that the assignment can be performed under the applicable code of professional conduct; and
- c. Have reasonable assurance of time, resources, access to relevant employees and other relevant parties, access to documentation and information, and the right of the actuary to communicate information, as may be necessary for the work.

Comment [sg18]: To me, it reads better this way.

3.2. Knowledge of Relevant Circumstances – The actuary should have or obtain sufficient knowledge and understanding of the data and information available, including the relevant history, processes, nature of the business operations, law, and business environment of the entity, to ~~be~~ appropriately ~~prepared to~~ perform the actuarial services required by the assignment.

Comment [sg19]: I don't think that the actuary do this to be prepared to perform but rather to perform the work.

3.3. Reliance on Others – The actuary may use information prepared by another party such as data, relevant contracts, insurance contract or pension plan provisions, opinions of other professionals, projections, and supporting analyses (but excluding assumptions or methodology). The actuary may take responsibility for such information, or the actuary may

Comment [sg20]: Including this in a parenthetical expression makes it unclear what the case is with respect to assumptions or methodology -- does this mean that, if the actuary cannot rely on opinions of other professions as input to the actuary's assumptions or has to 'own' everything about their assumptions or methodology

²Adopting standard-setter to choose one of these two phrases as appropriate, insert the name of the qualification standard if applicable, and delete material between the {}.

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state that reliance has been placed upon the source of this information and disclaim responsibility.

- 3.3.1. When deciding whether to use information prepared by another party, the [actuary](#) should consider the following:
- The other party's qualifications;
 - The other party's competence, integrity, and objectivity;
 - The other party's awareness of how the information is expected to be used;
 - Discussions and correspondence between the [actuary](#) and the other party regarding any facts known to the [actuary](#) that are likely to have a material effect upon the information used; and
 - The need to review the other party's supporting documentation.
- 3.3.2. If the [actuary](#) uses information prepared by another party without disclaiming responsibility for that information, the [actuary](#):
- Should determine that the use of that information conforms to [accepted actuarial practice](#) in the jurisdiction(s) of the [actuary](#)'s services;
 - Should establish appropriate procedures for the [supervision](#) or review of the information that the [actuary](#) intends to use; and
 - Does not need to disclose the source of the information.
- 3.3.3. If the [actuary](#) states reliance on the information prepared by another party and disclaims responsibility for it, the [actuary](#) should:
- Disclose that fact (including identifying the other party) in any [report](#) or other [appropriate communication](#);
 - Disclose the nature and extent of such reliance;
 - Examine the information for evident shortcomings;
 - When practicable, review the information for reasonableness and consistency; and
 - Report the [steps](#), if any, that the [actuary](#) took to determine whether it was appropriate to rely on the information.
- 3.3.4. If the information was prepared by the other party [under](#) a different jurisdiction, the [actuary](#) should consider any differences in the [law](#) or [accepted actuarial practice](#) between the two jurisdictions and how that might affect the [actuary](#)'s use of the information.

Comment [sg21]: I'm not sure I understand the reference to 'jurisdiction' here - either it is not necessary because the general conformance to law, or it should be in 3.3.1

Comment [sg22]: I'm not sure I understand what 'supervision of the information means - should it be 'preparation'? How does one supervise information?

Comment [sg23]: I don't see why 'appropriate' is relevant here; possibly 'related' or 'that is affected by the reliance'?

Comment [sg24]: Could this better 'the basis for and the steps' rather than 'the steps'? Like, the fact that the data was audited or the investment professional qualified and was in charge of the investments in question?

Comment [sg25]: Should this be 'in' can't figure out what under a jurisdiction means.

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3.4. Materiality – In case of omissions, understatements, or overstatements, the [actuary](#) should assess whether or not the effect is material. The threshold of materiality under which the [work](#) is being conducted should be determined by the [actuary](#) unless it is imposed by another party, such as an auditor or the [principal](#). When determining the threshold of materiality, the [actuary](#) should:

- 3.4.1. Assess materiality from the point of view of the [intended user\(s\)](#), recognizing the purpose of the [actuarial services](#); thus, an omission, understatement, or overstatement is material if the [actuary](#) expects it to affect significantly either the [intended user's](#) decision-making or the [intended user's](#) reasonable expectations;
- 3.4.2. Consider the [actuarial services](#) and the [entity](#) that is the subject of those [actuarial services](#); and
- 3.4.3. Consult with the [principal](#) if [necessary](#).

3.5. Data Quality

- 3.5.1. **Sufficient and Reliable Data** - The [actuary](#) should consider whether sufficient and reliable data are available to perform the [actuarial services](#). Data are sufficient if they include the appropriate [information](#) for the [work](#). Data are reliable if that information is materially accurate.
- 3.5.2. **Validation** - The [actuary](#) should take reasonable steps to review the consistency, completeness, and accuracy of the data [used](#). These might include:
 - a. Undertaking reconciliations against audited financial statements, trial balances, or other relevant records, if these are available;
 - b. Testing the data for reasonableness against external or independent data;
 - c. Testing the data for internal consistency; and
 - d. Comparing the data to that for a prior period or periods.

The [actuary](#) should describe this review in the [report](#).

- 3.5.3. **Sources of Data for Entity-Specific Assumptions** - To the extent possible and appropriate when setting entity-specific assumptions, the [actuary](#) should consider using data specific to the [entity](#) for which the assumptions are being made. Where such data are not available, relevant, or credible, the [actuary](#) should consider industry data, data from other comparable sources, population data, or other published data, modified as appropriate. The data used, and the modifications made, should be described in the [actuary's report](#).
- 3.5.4. **Data Deficiencies** - The [actuary](#) should consider the possible effect of any data deficiencies (such as inadequacy, inconsistency, incompleteness, inaccuracy, and unreasonableness) on the results of the [work](#). If such deficiencies in the data are not likely to materially affect the results, then the deficiencies need not be considered

Comment [sg26]: Considering the actuarial services that is the subject of those actuarial services doesn't make sense to me -- what is being considered??

Comment [sg27]: I'm not sure necessary for what is being referred to, in doubt? wouldn't 'appropriate' be better?

Comment [sg28]: Should this be 'information needed'? or 'necessary information'? although this may be sufficient.

Comment [sg29]: Probably too picky but in 3.5.1 'appropriate information' is used, while here 'data used' is used. If the data not used is inaccurate, who should care?

Comment [sg30]: Or 'actuarial'

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further. If the [actuary](#) cannot find a satisfactory way to resolve the deficiencies, then the [actuary](#) should consider whether to:

- a. Decline to undertake or continue to perform the [actuarial services](#);
- b. Work with the [principal](#) to modify the [actuarial services](#) or obtain appropriate additional data; or
- c. Subject to compliance with the [actuary's](#) code of professional conduct, perform the [actuarial services](#) as well as possible and disclose the data deficiencies in the [report](#), (including an indication of the potential [effect impact](#) of those data deficiencies).

3.6. Assumptions and Methodology

3.6.1. The assumptions and methodology may be

- a. Set by the [actuary](#) (3.7);
- b. Prescribed by the [principal](#) or another party (3.8); or
- c. Mandated by [law](#) (3.9).

3.6.2. Where the [report](#) is silent about who set ~~an~~the assumptions or methodology, the [actuary](#) who authored the [report](#) will be assumed to have taken responsibility for such assumptions or methodology.

3.7. Assumptions and Methodology Set by Actuary – Where the [actuary](#) sets the assumptions and methodology, or the [principal](#) or another party sets ~~an~~the assumptions or methodology that the [actuary](#) is willing to support:

3.7.1. Selection of Assumptions and Methodology - The [actuary](#) should select the assumptions and methodology that are appropriate for the [work](#). The [actuary](#) should consider the needs of the [intended users](#) and the purpose of the [actuarial services](#). In selecting assumptions and methodology, the [actuary](#) should consider the circumstances of the [entity](#) and the assignment, as well as relevant industry and professional practices. The [actuary](#) should consider to what extent it is appropriate to [adjust](#) assumptions or methodology to compensate for known deficiencies in the available data.

3.7.2. Appropriateness of Assumptions - The [actuary](#) should consider the appropriateness 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 interpreting past data or projecting future trends. The [actuary](#) should consider to what extent it is appropriate to use assumptions that have a known significant bias to [underestimation](#) or overestimation of the result.

Comment [sg31]: In some places 'assumptions' are used, while in others 'assumption' is used -- should it be consistent? I changed them all to be plural but it could be all singular.

Comment [sg32]: 'modify' is used in places such as 3.5.3 - I personally prefer 'adjust' rather than 'modify', but it is more important to be consistent.

Comment [sg33]: In 3.4 'understatements' and 'overstatements' are used - although I prefer '...estimation' rather than '...statements', being what I think is more general, shouldn't these be consistent?

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3.7.3. Margins for Adverse Deviations - In cases where unbiased calculations are not required, the actuary should consider to what extent it is appropriate to modify the assumptions or methodology with margins for adverse deviations ~~in order~~ to allow for uncertainty in the underlying data, assumptions, or methodology. The actuary should disclose any incorporation of margins for adverse deviations in assumptions or methodology.

Comment [sg34]: It may be beneficial to indicate that this could be explicitly or implicitly done, depending on the circumstances.

3.7.4. Discontinuities - The actuary should consider the effect of any discontinuities in experience on assumptions or methodology. ~~For example, Dd~~ discontinuities could result from:

Comment [sg35]: Although is good far as it goes, what about expected discontinuities? Can or should expected discontinuities be considered? This may vary by circumstances, hopefully accompanied by disclosure of the discontinuity. Often, for example, the actuary will use current law, but through use of a sensitivity illustrate the effect of possible change.

- a. Internal circumstances regarding the entity such as changes in an insurer's claims processing or changes in ~~its~~the mix of business; or
- b. External circumstances ~~that affect~~impacting the entity such as changes in the legal, economic, legislative, regulatory, supervisory, demographic, technological, and social environments.

3.7.5. Individual Assumptions and Aggregate Assumptions - The actuary should assess whether an assumption set 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 result.

3.7.6. Internal Consistency of Assumptions - The actuary should determine if the assumptions used for different components of the work are materially consistent, and that any significant interdependencies are modelled appropriately. ~~If not consistent,~~ ~~€~~The actuary should disclose any material inconsistency in the actuarial report.

Comment [sg36]: Including this phrase raises the question of what to do if they are not materially consistent -- and it isn't needed anyway.

3.7.7. Alternative Assumptions and Sensitivity Testing - The actuary should consider and address the sensitivity of the methodology to the effect of variations in key assumptions, when appropriate. In determining whether sensitivity has been appropriately addressed, the actuary should take into account the purpose of the actuarial services and whether the results of the sensitivity tests reflect a reasonable range of variation in the key assumptions, consistent with that purpose.

Comment [sg37]: Although I think testing the sensitivity of the methodology is great, isn't it just as important to develop alternative assumptions and sensitivity testing to provide useful information to indicate to the user the sensitivity to the assumptions, even if there is no reason to test out the methodology? The second sentence sort-of addressed this, but it really only modifies the sensitivity involved. I think it is good practice to run sensitivity testing in almost all cases, but I'm not sure that it is necessary in all cases -- this paragraph's 'consider ... when appropriate' is good.

3.8. Assumptions and Methodology Prescribed – Where the assumptions or methodology are prescribed by the principal or another party:

3.8.1. If the actuary is willing to support the prescribed assumption or methodology (following paragraph 3.7 as applicable), the actuary may disclose the party who prescribed the assumption or methodology and the actuary's support.

Comment [sg38]: Could this be better stated as 'If the actuary agrees as to the reasonableness of'?

3.8.2. If the actuary is unwilling to support the prescribed assumption or methodology because:

- a. It significantly conflicts with what would be appropriate for the purpose of the actuarial services, the actuary should disclose in the report that fact, the party

Comment [sg39]: The stem uses 'assumptions' and the following uses 'assumption' - should it be consistent?

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who prescribed the assumption or methodology, and the reason why this party, rather than the [actuary](#), set the assumption or methodology; or

- b. The [actuary](#) has been unable to ~~assess~~[judge](#) the appropriateness of the prescribed assumption or methodology without performing a substantial amount of additional work beyond the scope of the assignment, or the [actuary](#) was not qualified to ~~assess~~[judge](#) the appropriateness of the assumption, the [actuary](#) should disclose in the [report](#) that fact, the party who prescribed the assumption or methodology, and the reason why this party, rather than the [actuary](#), set the assumption or methodology.

- 3.8.3. When the [principal](#) requests an additional calculation using an assumption set which the [actuary](#) does not judge to be reasonable for the purpose of the [actuarial services](#), the [actuary](#) may provide the [principal](#) with the results based on such assumptions. If those results are communicated to any party other than the [principal](#), the [actuary](#) should disclose the source of those assumptions and the [actuary](#)'s opinion of their [appropriateness](#).

3.9. Assumptions and Methodology Mandated by Law – When an assumption or methodology is mandated by [law](#), the [actuary](#) should disclose in the [report](#) that the assumption or methodology was mandated by [law](#) and that the [report](#) should not be used for any purpose other than that required by [law](#).

3.10. Process Management

- 3.10.1. **Process Controls** - The [actuary](#) should consider to what extent, if any, the procedures [needed](#) to carry out the [work](#) should be controlled, and if so, how.
- 3.10.2. **Reasonableness Checks** - The [actuary](#) should review the results produced by the selected assumptions and methodology for overall reasonableness.

3.11. Peer Review – The [actuary](#) should consider to what extent, if at all, it is appropriate for the [report](#) to be independently reviewed, in totality or by component, before the final [report](#) is delivered to the [principal](#) or distributed to the [intended users](#). The purpose of peer review is to ensure the quality of the [report](#), with the process tailored to the complexity of the [work](#) and the specific environment in which the [actuary](#) works. If a peer review is deemed to be appropriate:

- 3.11.1. The ~~actuary should select a~~ reviewer ~~should be who is~~ independent of involvement with the specific component(s) reviewed and is knowledgeable and experienced in the practice area of the [actuarial services](#).
- 3.11.2. If the reviewer is an [actuary](#), the reviewer should comply with the guidance of this ISAP, as applicable, in performing the review.

3.12. Treatment of Subsequent Events – The [actuary](#) should consider any [subsequent event](#) that has the potential of materially changing the results of the [actuarial services](#) if the event had been reflected in the [work](#) and disclose such an event in the [actuary](#)'s [communication](#).

3.13. Retention of Documentation

Comment [sg40]: In the first sentence 'reasonable for the purpose' is used, while here 'appropriateness' is used. Although very close to the same meaning, would it be better to be more consistent?

Comment [sg41]: Possibly 'used' rather than 'needed' - shouldn't this be practical rather than theoretical?

Comment [sg42]: The actuary may be the person who selects the reviewer.

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- 3.13.1. The [actuary](#) should retain, for a reasonable period of time, sufficient documentation for purposes such as:
 - a. Peer review, regulatory review, and audit;
 - b. Compliance with [law](#); and
 - c. Assumption of any recurring assignment by another [actuary](#).
- 3.13.2. Documentation is sufficient when it contains enough detail for another [actuary](#) qualified in the same practice area to understand the [work](#) and assess the judgments made.
- 3.13.3. Nothing in this ISAP is intended to give any person access to material beyond the access that they are ~~otherwise~~[ready](#) authorized to have.

Section 4. Communication

4.1. General Principles – Any [communication](#) should be appropriate to the particular circumstances and take the skills, [understanding](#), levels of relevant technical expertise, and needs of the [intended user](#) into consideration to allow the [intended user](#) to understand the implications of the [actuary](#)'s [communication](#).

Comment [sg43]: Although I understand the intent of 'understanding' seems awkward to indicate that understanding should be taken into account to allow the user to understand. What is meant by understanding here, or should it be deleted?

4.1.1. **Form and Content** - The [actuary](#) should determine the form, structure, style, level of detail, and content of each [communication](#) to be appropriate to the particular circumstances, taking into account the [intended users](#).

Comment [sg44]: Shouldn't it be understand the implications of the workproduct, rather than understanding the communication? Although I may be missing something here.

4.1.2. **Clarity** - The [actuary](#) should [word](#) each [communication](#) to be clear and use language appropriate to the particular circumstances, taking into account the [intended users](#).

Comment [sg45]: Shouldn't this also include any data included be clearly presented?

4.1.3. **Timing of Communication** - The [actuary](#) should issue each [communication](#) within a reasonable time period. The timing of the [communication](#) should reflect any arrangements that have been made with the [principal](#). The [actuary](#) should consider the needs of the [intended users](#) in [setting](#) the timing.

Comment [sg46]: I don't think the actuary 'sets' the timing - possibly, include at the end of the first sentence, 'reflecting the needs of the intended users'.

4.1.4. **Identification of the Actuary** - A [communication](#) shall clearly identify the issuing [actuary](#). When two or more individuals jointly issue a [communication](#), at least some of which is actuarial in nature, the [communication](#) shall identify all responsible [actuaries](#), unless the [actuaries](#) judge it inappropriate to do so. ~~¶~~Although 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, any [communication](#) shall also indicate to what extent and how supplementary information and explanation can be obtained from the [actuary](#) or another party.

Comment [sg47]: This sounds less awkward.

4.2. Report – The [actuary](#) should complete a [report](#) unless [any](#) [intended users](#) will otherwise be adequately informed about the results of [actuarial services](#) (including access to the supporting information ~~that~~[which](#) is necessary to understand these results). The [actuary](#) should present all information with sufficient detail that another [actuary](#) qualified in the same practice area could make an objective appraisal of the reasonableness of the [actuary](#)'s [work](#).

Comment [sg48]: Clearly bad grammar - but what is intended - shouldn't it be a intended users? But I'm not sure the int

4.2.1. **Content** - In the [report](#), the [actuary](#) should include, if applicable:

Comment [sg49]: Of course, it is not uncommon that a principle kills the engagement before it can be completed. Should the actuary be required to complete a report in this case? Or just adequately inform the intended users? I have heard actuaries being fired from an engagement in this cases, what is the actuary required to do? Does this provide guidance to such situation?

- a. The scope and intended use of the [report](#);
- b. The results of [actuarial services](#), including the potential variability of these results;
- c. The methodology, assumptions, and data used;
- d. Any restrictions on distribution;
- e. The date of the [report](#); and
- f. Information on the authorship of the [report](#).

Comment [sg50]: Should the intended users be included here? I don't think so but just in case it hadn't been thought about.

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- 4.2.2. Disclosures - In the report, the actuary issuing the report should disclose, if applicable:
- a. Any material deviation from the guidance in this ISAP (1.3);
 - b. Any reliance on information prepared by another party for which the actuary disclaims responsibility (3.3.3);
 - c. Any data modification, validation and deficiencies (3.5);
 - d. The actuary's assessment of the uncertainty inherent in the information used by the actuary (3.5.4.c);
 - e. Any material inconsistency in the assumptions used (3.7.7);
 - f. Where the report contains the results of an additional calculation using an assumption set requested by the principal which the actuary does not judge to be reasonable for the purpose of the assignment (3.7.9);
 - g. Assumptions and methodology that have been prescribed by another party (3.8);
 - h. Assumptions and methodology that are mandated by law (3.9); and
 - i. Any material subsequent event (3.12).
- 4.2.3. Authorship - The actuary issuing the report should include in the report:
- a. The actuary's name;
 - b. If applicable, the name of the organization on whose behalf the actuary is issuing the report, and the actuary's position held;
 - c. The capacity in which the actuary serves;
 - d. The actuary's qualifications;
 - e. The code of professional conduct and actuarial standards under which the work was performed, if there is any possible ambiguity; and
 - f. If applicable, attestations and reliances.
- 4.2.4. Form - A report may comprise one or several document(s) that may exist in several different formats. Where a report comprises multiple documents, the actuary should communicate to all intended users which documents comprise the report. The actuary should ensure that report components (especially those in electronic media) are such that they can be reliably reproduced for a reasonable period of time.
- 4.2.5. Constraints - The content of a report may be constrained by circumstances such as legal, legislative, regulatory, or supervisory proceedings. Constraints could also

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include other standards such as financial reporting standards or an [entity](#)'s accounting policy. The [actuary](#) should follow the guidance of this ISAP to the extent reasonably possible within such constraints.