

Please use this template to comment on the [Exposure Draft of ISAP 7 on “Current Estimates” and Other Matters in Relation to the IAIS Insurance Capital Standards](#), and the proposed revisions to the [Glossary for ISAP 7](#).

The IAA invites comments on this Exposure Draft, particularly on the questions set out below. Comments are most helpful if they:

- (a) Comment on the questions as stated;
- (b) Indicate the specific paragraph or group of paragraphs to which they relate;
- (c) Contain a clear rationale; and
- (d) Include any alternative that the IAA should consider, if applicable within the scope of the [Statement of Intent for ISAP 7](#).

Identification and instructions		
Name of Individual:	Please indicate if your comments are personal, or represent your organization:	David Rush Comments represent those of the Institute of Actuaries of Australia.
Name of organization		Institute of Actuaries of Australia
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	Not confidential
Instructions for filling in and sending the template	<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not write in the yellow shaded cells ⇒ Write in the white cells ⇒ When commenting on a specific paragraph: <ul style="list-style-type: none"> ○ Please use a separate row for each paragraph, sub paragraph, or bullet. ○ Please include the full reference in the first column such as “Introduction 3rd paragraph 2nd bullet” or “2.6.1.b.ii” ○ Please insert/append extra rows as needed. <p>Please send the completed template, renamed with the organization’s or individual’s name, attached in <u>Word Format</u>, to</p>	

	ISAP7.comments@actuaries.org	
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	Specific Questions asked by the ASC	Response
Q1.	Is the guidance clear and unambiguous? If not, how should it be changed?	There is potential ambiguity between “insurance liabilities” and “current estimates”. It would be clearer if financial statements only have “insurance liabilities” while ICS only has “current estimates”.
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	At the moment, the scope is appropriate. However, we’d question whether, in the long term, the guidance should just apply in the context of the ICS, or whether it should apply to Actuarial Services provided in the context of capital requirements more generally. It would seem strange if a jurisdiction had the equivalent of ISAP 7 to support capital standards for IAIGs, but not more generally.
Q3.	Is the guidance at the right level of detail? If not, what text should be omitted because it is too detailed? In what areas do actuaries need more detailed guidance?	Yes
Q4.	Are there other matters that should be included in this standard? Are there some included here that should not be?	Guidance may be needed on the exercise of actuarial judgement when actuaries are involved in assessing / developing catastrophe models or internal models under the ICS (to which the ICS refers).
Q5.	Should the title of the ISAP be made shorter or simpler? Suggestions are welcome.	OK as it stands.

General Comments on the ISAP 7 Exposure Draft	
	As noted above, we feel that guidance may be needed on the exercise of actuarial judgement when actuaries are involved in assessing / developing catastrophe models or internal models under the ICS.

Comments on specific paragraphs of the ISAP 7 Exposure Draft		
Full paragraph reference	Change proposed to the paragraph (markup preferred)	Reason the change is needed (can be kept very brief or left blank if obvious from the change)
1.2 – first bullet	This seems to imply some alignment between ICS and financial statements (when saying that insurance liabilities would be adjusted to determine central estimates). Any alignment should be made more explicit.	
2.4	Adjustments are required in respect of contract boundary (2.4.1). Similar adjustments should be required in respect of contract recognition and time horizon which are explicitly mentioned.	
2.4.1	ISAP 7 should be explicit that results reported 'externally' are those in the financial statements, to better distinguish them from those under the ICS.	
2.4.1	'The current estimates reported in the ICS may need to be adjusted from those reported externally due to different contract boundary definitions for the ICS versus the group's financial statements' should be replaced with 'The current estimates reported in the ICS may need to be adjusted from the	Financial statements have insurance liabilities while ICS has current estimates.

	insurance liabilities reported in the financial statements due to ...'	
2.5.1	'those' should be replaced with 'the insurance liabilities'	
2.5.1	'to the current estimates for ICS purposes' should be deleted.	
2.5.1	'on the current estimates' should be deleted.	
2.5.3	'those adopted' should be replaced with 'insurance liabilities'	
2.5.4.1 b	'externally' should be deleted.	
2.7.2	'those adopted' should be replaced with 'those adopted for determining insurance liabilities'	
3.1.1	Reference is only made to communications in respect of 2.5.1. Communications in respect of the rest of 2.5 should also be included (otherwise, there is a potential gap – effective communication is needed for other aspects of "methodology").	

Comments on specific definitions in the Exposure Draft of the updated Glossary		
Note that only the proposed revisions are open for comment		
Defined Term	Change proposed to the definition (markup preferred)	Reason the change is needed (can be kept very brief or left blank if obvious from the change)
Insurance liabilities		<p>Not in Glossary.</p> <p>We feel that all defined terms should be in the Glossary so they are all in the one place.</p>