

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:	<b>Vanessa Leung, representing Financial Reporting Council</b>
Name of organization		<b>Financial Reporting Council, United Kingdom</b>
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	
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"> <li>⇒ Do <b>not</b> write in the yellow shaded cells</li> <li>⇒ Write in the white cells</li> <li>⇒ When commenting on a specific paragraph: <ul style="list-style-type: none"> <li>○ Please use a separate row for each paragraph, sub paragraph, or bullet.</li> <li>○ Please include the full reference in the first column such as “Introduction 3<sup>rd</sup> paragraph 2<sup>nd</sup> bullet” or “2.6.1.b.ii”</li> <li>○ Please insert/append extra rows as needed.</li> </ul> </li> </ul> <p><b>Please send the completed template, renamed with the organization’s or individual’s name, attached in <u>Word Format</u>, to</b></p>	



International Actuarial Association  
Association Actuarielle Internationale

**Comments Template for Exposure Draft of ISAP 7**  
**Deadline: 15 June 2022**

	<a href="mailto:ISAP7.comments@actuaries.org">ISAP7.comments@actuaries.org</a>	
--	--	--

	<b>Specific Questions asked by the ASC</b>	<b>Response</b>
Q1.	Is the guidance clear and unambiguous? If not, how should it be changed?	Please see comments as set out in the rest of the response.
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	<p>We note that the exposure draft does not include reference to the determination of discount rates and the adjustments for top, middle and general buckets. Did the ASC / Task Force consider whether additional guidance might be appropriate in this regard?</p> <p>Also, did the ASC / Task Force consider whether further guidance was needed in relation to participating contracts – for example in determining the assumptions around asset portfolio rebalancing or management actions which may apply in the stressed scenario?</p>
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?	As noted in commentary on specific sections, there are a few areas where the guidance is arguably too detailed and there are one or two minor gaps
Q4.	Are there other matters that should be included in this standard? Are there some included here that should not be?	See response to Q2 and comments on specific paragraphs below.
Q5.	Should the title of the ISAP be made shorter or simpler? Suggestions are welcome.	No comment

	<b>General Comments on the ISAP 7 Exposure Draft</b>	

<b>Comments on specific paragraphs of the ISAP 7 Exposure Draft</b>		
<b>Full paragraph reference</b>	<b>Change proposed to the paragraph (markup preferred)</b>	<b>Reason the change is needed (can be kept very brief or left blank if obvious from the change)</b>
<b>1.5, 2.4, 2.5.1 and other paragraphs</b>		<p>You mention that terms defined in the IAIS glossary and the ICS are shown in the ISAP in orange and double underscore. In paragraph 2.4 and other paragraphs, the term ‘financial statements’ is shown in orange and double underscored although it does not appear to be a defined term.</p> <p>In 2.5.1 you refer to ‘reported GAAP / SAP accounts’ rather than ‘financial statements’. We are unclear on the significance of this change of terminology although we note the ICS technical specification provides instructions for generating consolidated GAAP accounts for ICS purposes from US SAP financials, so it is possible that this change of terminology is intended to provide additional clarity for US actuaries.</p>
<b>2.5.4.1 (a)</b>		We consider the ICS requirements sufficiently

		clear on this subject and therefore this paragraph could possibly be deleted.
<b>2.6</b>	The <a href="#">actuary</a> should consider whether <a href="#">professional judgment</a> and the use of approximate allocation processes are required to provide the requested reinsurance recoverable input into the <a href="#">ICS</a> .	It is not entirely clear from this paragraph whether the ‘approximate allocation processes’ referred to are the processes for allocation of ceded liability between different reinsurers to allow mapping to ICS RCs or something else.
<b>2.7.2.2 (a)</b>	a. Discount rates used to calculate the present value of the cash flows that are consistent with the investment returns anticipated in the estimates of the future cash flows. Returns on assets which are estimated using prospective expectations consistent with current expectations of future economic conditions; and	The wording used in this paragraph does not seem entirely clear. It might be helpful to link it back to the wording in the ICS:  30. The current estimate recognises FDB expected to be paid consistently with expected future developments, the economic scenarios on which the liability valuation is based and policyholders’ reasonable expectations.  31. The projection of FDB is also consistent with the yield curve applicable to the contract, as well as with the modelling of policyholder behaviour as described in section 5.2.1.3.
<b>2.7.2.3</b>		The level of detail this paragraph includes seems unbalanced to the rest of the guidance. If it is decided to include this level of detail, we would suggest including clarification around what is meant by direct and indirect expenses as well as reference to non-recurring expenses.

<b>2.7.2.6 c</b>	Changes in risks due to, for example, pandemics, climate change impacts, <b>legislative or regulatory</b> changes etc.;	We see value in adding reference to legislative or regulatory changes as these may affect insurance risk.
<b>2.9</b>		We consider the ISAP1 requirement sufficiently clear on this subject and therefore, this paragraph could possibly be deleted.

<p><b>Comments on specific definitions in the Exposure Draft of the updated Glossary</b></p> <p><b>Note that only the proposed revisions are open for comment</b></p>		
<b>Defined Term</b>	<b>Change proposed to the definition (markup preferred)</b>	<b>Reason the change is needed (can be kept very brief or left blank if obvious from the change)</b>