

The following feedback was provided on the Exposure Draft:

- 1. It is recommended to consider actuarial practices in developing countries and emerging market.** The draft should give more consideration to the performance environment of actuaries in developing countries and emerging markets. The proposed practical requirements should be operable in emerging markets. Some practical operations can be simplified appropriately.
- 2. It is recommended to unify the adjustment basis of current estimates.** The adjustment basis of the current estimates in the draft is partly based on financial statements and partly based on accounting principles (GAAP) or statistical accounting principles (SAP). The adjustment basis is not unified. It is suggested to adjust the basis uniformly and straighten out the practical operation logic of insurance capital standards.
- 3. Please add considerations to the selection of assumption.** It is proposed to add financial assumptions to the behavior of policyholders. The impact of non-financial assumptions was included in the behaviors of policyholders listed in the exposure draft (e.g. the adverse selection of the policyholder). Considering that policyholders' behaviors such as surrender are also affected by changes in financial assumptions, it is suggested to increase the influence of changes in financial assumptions on policyholders' behaviors.
- 4. It is suggested to revise the relevant expressions of management behavior.** The company's management makes decisions according to the company's strategic objectives, customer expectations and market development. This statement is too absolute, which makes it difficult for the company to implement in actual operation.

Feedback: International Standard of Actuarial Practice 7 (ISAP7) Exposure Draft

Table 1. Response on Specific Questions asked by the ASC

| Number | Specific Questions asked by the ASC | Response |
|---------------|---|--|
| Q1 | Is the guidance clear and unambiguous? If not, how should it be changed? | Yes. |
| Q2 | Is the guidance sufficient and appropriate? If not, how should it be changed? | Some provisions should be modified. Please refer to the feedback on specific paragraphs. |
| 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? | No. |
| Q5 | Should the title of the ISAP be made shorter or simpler? Suggestions are welcome. | No. |

Table 2. Comments on specific paragraphs of ISAP 7 Exposure Draft

| Comments on specific paragraphs of ISAP 7 Exposure Draft | | |
|--|--|--|
| Full paragraph reference | Change proposed to the paragraph | Reason the change is needed |
| 2.4 | Contract Recognition, Contract Boundaries and Time Horizon – The actuary should consider whether the treatment of contract recognition, contract boundaries, time horizon, and contract derecognition under ICS are different from those adopted under the financial statements ^{[add]the group's reported generally accepted accounting principles (GAAP) or statutory accounting principles (SAP) accounts...} | The draft requires that certain estimates and treatments should be adjusted on the basis of financial statements, while others should be adjusted on the basis of GAAP or SAP, and if adjusted, they should meet relevant requirements. The basis of adjustment is not unified, and it is proposed to unify the adjustment basis and rationalize the practical operation logic of insurance capital standards. |
| 2.5.3 | 2.5.3. Options and Guarantees – Where valuation of options and guarantees for current estimates should be different from those adopted under the financial statements ^{[add]the group's reported generally accepted accounting principles (GAAP) or statutory accounting principles (SAP) accounts...} | |
| 2.6 a | Possibility that a difference between the contract boundaries and recognition criteria in the ICS versus the financial statements ^{[add]the group's reported generally accepted accounting principles (GAAP) or statutory accounting principles (SAP) accounts} may have a material impact on the ICS result; | |
| 2.7.1 | General considerations – The actuary should consider whether the assumptions | |

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|-------------|---|--|
| | <p>under ICS should be different from those adopted under the financial statements[add]the group's reported generally accepted accounting principles (GAAP) or statutory accounting principles (SAP) accounts...</p> | |
| 2.7.2 | <p>Selecting Assumptions - Where the assumptions under ICS to calculate current estimates should be different from those adopted under the financial statements[add]the group's reported generally accepted accounting principles (GAAP) or statutory accounting principles (SAP) accounts,...</p> | |
| 2.9 | <p>Alternative Assumptions and Sensitivity Testing - In applying ISAP 1 paragraph 2.7.7.10 the actuary should consider the sources and degree of uncertainty the actuary has assessed in relation to the adjustment to the estimates in the financial statements[add]the group's reported generally accepted accounting principles (GAAP) or statutory accounting principles (SAP) accounts and in the calculation of the values reported in the ICS submission.</p> | |
| 2.5.2.a | <p>the circumstances under which particular management actions would be taken should be clearly defined and documented considered.</p> | <p>The company's management makes decisions according to the company's strategic objectives, customer expectations and market development, etc. This statement is too absolute, which makes it difficult for the company to implement in practice.</p> |
| 2.5.2.b.iii | <p>Suggested deletion Not be unduly dependent on actions by third parties such as other market participants; and</p> | |

| | | |
|---------|--|--|
| 2.5.3 | Suggested addition: The evaluation of options and guarantees in ICS assessment can refer to local regulatory rules. | The formal ICS Test Technical Standards allow companies to adopt certain simplified approaches to evaluating warranty and option costs. |
| 2.7.2.1 | Suggested addition: Increased consideration of the impact of changes in financial assumptions on policyholders when considering behavior of policyholder | The policyholder behaviors listed in the consultation draft include the impact of non-financial assumptions, such as the adverse selection of policyholders. Considering that policyholders' behaviors such as surrender are also affected by changes in financial assumptions, it is suggested to add consideration of the influence of changes in financial assumptions on policyholders' behaviors. |

Table 3. General Comments on the ISAP 7 Exposure Draft

| No. | General Comments on the ISAP 7 Exposure Draft |
|-----|--|
| 1 | We suggest the draft take more into account the environment for actuaries in developing countries and emerging markets, and the proposed practice should be operable in emerging markets. Some practical operations can be simplified appropriately. |

Table 4. Comments on specific definitions in the Exposure Draft of the updated Glossary

| Comments on specific definitions in the Exposure Draft of the updated Glossary | | |
|--|---|---|
| Defined Terms | Change proposed to the definition | Reason the change is needed |
| insurance liabilities | It is suggested to add the definition of this term to the updated glossary | This term is mentioned in paragraph 1.2 of ISAP7 and is marked in blue, indicating that it is the content of the vocabulary, but the explanation of the term is absent in the updated glossary. |
| Current Estimates | It is suggested to clarify the statement that 'current' refers to 'report date' (or 'at the end of the reporting period') | The Exposure draft doesn't provide a definition on term 'current'. Considering that there have been precedents in the industry of misunderstanding the words 'current estimates' and 'current assumption' in IFRS17, it is recommended to define 'current' precisely. |