



International Actuarial Association  
Association Actuarielle Internationale

IAA Quality Assurance and  
Governance Initiatives on IFRS 17  
An IAA Paper

IFRS 17 Coordination  
Task Force

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# **IAA Quality Assurance and Governance Initiatives on IFRS 17**

## **An IAA Paper**

This paper has been prepared by the IFRS 17 Coordination Task Force (IFRS17 CTF) of the International Actuarial Association (IAA) and approved according to the IAA's Due Process for Making a Public Statement. It was approved by the Executive Committee on 18 August 2020.

The IAA is the worldwide association of professional actuarial associations, with several working groups and special interest sections for individual actuaries. The IAA exists to encourage the development of a global profession, acknowledged as technically competent and professionally reliable, which will ensure that the public interest is served.

The role of the IFRS17 CTF is to coordinate IFRS 17 related activities by the IAA, both internally and externally, including proposing marketing and promotional activities in relation to IFRS 17 and the role of the actuary under IFRS 17.

This paper is based on extensive discussions within the IAA, and work done by the IFRS17 CTF members comprising Gábor Hanák (Chair), Ad Kok, Andrew Chamberlain, Derek Wright, Gunn Albertsen, Jane Curtis, Kristoffer Bork, Micheline Dionne, Ulrich Stellmann, William Hines, William Weiland and Yuriy Krvavych.



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## **Background**

Over the past 20 years, the IAA has given significant input to the development of International Financial Reporting Standard 17 *Insurance Contracts* (IFRS 17), and has gained significant insight into the challenges and key approaches of reporting under IFRS 17 and the role of the actuary in that reporting process.

Actuaries or their professional associations are expected to deliver a range of activities in relation to IFRS 17, such as:

- providing actuarial services to entities preparing financial statements, by advising the entities on decisions, selecting assumptions, carrying out the calculations required, or some combination of these;
- providing actuarial services to a range of clients, including auditors and regulators;
- providing training and education; and
- producing publications and standards and delivering presentations.

We believe that insurers and auditors will benefit by relying on the expertise of actuaries in fulfilling their duties when preparing or auditing financial statements prepared in compliance with IFRS 17.

In order to increase public confidence in information disclosed in financial statements prepared in compliance with IFRS 17 and to serve the public interest, the IAA seeks to be active in providing input to various supranational bodies as they consider the introduction of IFRS 17.

We believe that many stakeholders could benefit from our insights, and so we are sharing them through this paper.

## **Improving Quality, Credibility and Public Confidence and Serving the Public Interest**

### **Actuaries providing professional services under IFRS 17**

When preparing their financial statements in compliance with IFRS 17, insurers will typically rely on the work of actuaries. Similarly, when forming the auditor's opinion on financial statements prepared in compliance with IFRS 17, auditors will typically engage actuaries as an expert.

Due to the nature and complexity of risks covered by the insurance business and the resulting actuarial considerations, actuarial services are typically sought for:

- providing advice and professional judgment in selecting appropriate methodologies and assumptions, using reliable and relevant data, and to help informed decision making by the management of the insurer;
- performing the necessary calculations, including sensitivity analyses; and
- reviewing the results of those calculations for compliance and appropriateness, and presenting them to stakeholders.

In our view, good practices to be followed would include:

1. **An actuary providing actuarial services to an insurer would prepare and issue a report to the insurer for internal use**, setting out the work performed under IFRS 17. This would allow the management of the insurer to have the necessary insight and understanding of the work of the actuary in relation to IFRS 17. **Similarly, an actuary providing actuarial services to an auditor would prepare and issue a report to the auditor**, setting out the work performed under IFRS 17 to assist the auditor in making his/her own judgment when forming his/her audit opinion. Such reporting might also be helpful to another actuary when performing similar work in a subsequent period.
2. **The report would**, noting any limitations, **be duly signed off by an actuary** who meets applicable qualification requirements in his/her jurisdiction.  
  
The IAA Full Member Associations require that an actuary who is a member of that association must comply with a code of conduct. Such a code requires that an actuary shall perform professional services only if the actuary is competent and appropriately experienced to do so, including complying with all applicable standards of actuarial practice when performing such services.
3. **The report of the actuary of the insurer and the report of the actuary of the auditor would be considered as audit evidence by the auditor.**

In our view, such **reporting and sign-off will enhance the credibility of the financial statements and/or the audit opinion** prepared in compliance with IFRS 17 **and hence it will contribute to the public good.**

### **The role of standards of actuarial practice**

The assumptions and methodologies may be prescribed for the actuary, and in these cases it is important that the actuary identifies this in the report. Relevant standards of actuarial practice are important in ensuring this is done, and in leading to more professional practices.

Appropriately qualified actuaries (in some jurisdictions being “fit and proper” implies being in possession of an appropriate qualification) of Full Member Associations of the IAA should comply with standards of actuarial practice stipulated by their relevant actuarial standard-setting body.

In our view, the work performed, and results presented by actuaries complying with relevant standards, are likely to be more reliable than might be the case where no standards apply.

The IAA has adopted the model International Standard of Actuarial Practice 4 (ISAP 4) on IFRS 17 *Insurance Contracts*. As a model standard, ISAP 4 is not binding on any actuary. The IAA encourages relevant actuarial standard-setting bodies to develop and maintain a standard that is substantially consistent with ISAP 4 to the extent that the content of ISAP 4 is appropriate for actuaries in their jurisdiction.

Local actuarial standard-setting bodies usually stipulate the standards of actuarial practice (such as one based on ISAP 4) applicable to actuaries under their jurisdiction when those actuaries perform actuarial services in relation to IFRS 17. Such standards will apply to appropriately qualified actuaries providing services, either as employees or external advisors.

We are aware of some jurisdictions and insurance groups that require reporting similar to IFRS 17 to be signed off by an appropriately qualified actuary and subject to an independent review that is also signed off by such an actuary. This means that most of the proposals in this document are already a reality in some jurisdictions and insurance groups. **Our proposal is to advocate that this practice be followed internationally.**

## Conclusions

In our view, as a good practice to be followed, when an appropriately qualified actuary of a Full Member Association of the IAA provides actuarial services to an insurer or an auditor of an insurer in relation to IFRS 17, the actuary will provide the results to the insurer or auditor in the form of a duly signed-off internal report that is consistent with the Full Member Association's code of conduct and the standards of actuarial practice applicable to the jurisdiction in which the financial statements will be filed. This internal report of the actuary should be considered as audit evidence by the auditor.

**The IAA intends to continue to assist the development of proper quality assurance and governance for actuaries working in relation to IFRS 17.**

## About the IAA

Founded in 1895, and reformed in 1998 with a new constitution, the International Actuarial Association (IAA) is the worldwide association of professional actuarial associations, with a number of special interest sections for individual actuaries. The IAA exists to encourage the development of a global profession, acknowledged as technically competent and professionally reliable, which will ensure that the public interest is served.

The IAA has worked for more than 20 years through its many volunteers to help the International Accounting Standards Board (IASB) achieve a sound technical basis for IFRS 17,<sup>1</sup> advising the IASB about the technical background of insurance, and sending comment letters to the IASB on the various drafts of IFRS 17.

The IAA has produced important publications on IFRS 17, such as:

- [ISAP 4, IFRS 17 Insurance Contracts](#), published in December 2019;
- its [Discount Rates in Financial Reporting monograph](#) in October 2013;
- its [risk adjustment monograph \(Risk Adjustments for Insurance Contracts under IFRS 17\)](#) in May 2018; and
- an [exposure draft of International Actuarial Note 100 on IFRS 17 Insurance Contracts](#) in January 2019.

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<sup>1</sup> <http://eifrs.ifs.org/eifrs/bnstandards/en/IFRS17.pdf> (viewing/downloading requires registration)