

Submission

The General Task Force of the IASSC is pleased to submit this report. It documents the comments we received on the exposure draft of ISAP 1 (“ED”) and how we addressed those comments.

We would like to record our thanks to those commenters, both organizational and individual.

Preamble

The ED was published on the IAA website on 26 July 2011 with a comment deadline of 1 Dec 2011. A transmittal memo was published concurrently which requested answers to six specific questions.

This report outlines the answers to our questions and other comments we received on the ED and what we did as a result. It is organized into five sections:

- I. Rationale for recommending a final ISAP rather than a second exposure draft.
- II. List of comments we received on the ED.
- III. Summary of the answers we received to our six questions.
- IV. Summary of the comments received and our responses in seven areas that occurred in several comments.
- V. Detailed paragraph by paragraph summary of the comments received and our responses.

This report was drafted by the General Task Force of the IASSC and reviewed and edited by the IASSC. Throughout the document “we” means the IASSC.

I. Rationale for recommending a final ISAP

The bulk of the difference between the ED and ISAP 1 is rearrangement of material in response to comments we received and our own internal discussions.

1. What was Introduction 1 is now Preface. This allows the permanent introduction to be named just that, rather than Introduction 2.
2. Most of Introduction 2 has been moved into section 1 which is now titled General and has expanded to eight paragraphs. (Some material was dropped.) It is intended that most of section 1 will be identical in all ISAPs.
3. Some material from section 3 has been rewritten and moved to section 1.

A second exposure draft would have been warranted if we had added significant new requirements or significantly changed the guidance from the ED. We have done neither. We have clarified and improved much of the language based on the many helpful comments we received. Thus, we have recommended to the Executive Committee and Council that this final ISAP be issued.

II. List of comments we received on the ED

We received the following comments which can be viewed in their entirety on the IAA website at PUBLICATIONS/STANDARDS AND ACTUARIAL NOTES/EXPOSURE DRAFTS.

**ISAP 1 Report
Treatment of Comments on Exposure Draft**

22 August 2012

Comment Number	Submitted By	Date Received
1	Henry Karsten	18 August 2011
2	Nicholas Yeo	23 August 2011
3	Japanese Society of Certified Pension Actuaries	16 September 2011
4	Notes from the Professionalism Committee Meeting on ISAP 1 and Statements of Intent	1 October 2011
5	Irene Paterson	23 October 2011
6	Actuarial Standards Board of the United States (ASB)	4 November 2011
7	Office of the Chief Actuary (OCA), Canada	9 November 2011
8	Ralph Blanchard	14 November 2011
9	New Zealand Society of Actuaries (NZSA)	24 November 2011
10	Actuarial Society of Hong Kong	28 November 2011
11	Financial Reporting Council	28 November 2011
12	Actuarial Standards Board (Canada)	28 November 2011
13	Félix Arias Bergadá	29 November 2011
14	Society of Actuaries in Ireland	30 November 2011
15	the <i>Institut des Actuaire</i> s (France)	30 November 2011
16	Canadian Institute of Actuaries	30 November 2011
17	Svenska Aktuarieföreningen (Sweden)	30 November 2011
18	The Institute of Actuaries of Japan	30 November 2011

Comment Number	Submitted By	Date Received
19	Sam Gutterman	1 December 2011
20	Institute of Actuaries of Australia	1 December 2011
21	Actuarieel Genootschap & Actuarieel Instituut (Netherlands)	1 December 2011
22	Institute and Faculty of Actuaries	1 December 2011
23	Groupe Consultatif Actuariel Européen	1 December 2011
24	Education & Practice Subcommittee of the Insurance Accounting Committee	1 December 2011
25	Conference of Consulting Actuaries (USA)	1 December 2011
26	Actuarial Society of South Africa	1 December 2011
27	American Academy of Actuaries	1 December 2011

III. Summary of the answers we received to our six questions

We asked the following questions in the transmittal letter for the ED. Each question is followed by a summary of the responses we received. Only five commenters answered the questions fully; others answered them implicitly in their responses.

1. Is the guidance clear and unambiguous?
Generally yes. One commenter said it was not unambiguous.
2. Is the guidance at the right level of detail, or should it be more or less detailed?
Generally yes. A few commenters thought it was too detailed in places.
3. Is the guidance on when to issue an actuarial report and what should be covered in the report appropriate?
When to issue - yes. What should be covered - generally yes. A few commenters felt this guidance was too detailed or specific in places.
4. Are there other matters that should be included in this standard on general actuarial practice? Are there some included here that should not be?
Some commenters answered no to both questions. Some recommended that the principle of proportionality (effort to do work should be proportionate to its value) and more emphasis on disclosure of risk should be added. Others recommended that

business guidance and topics covered by the professional codes of conduct should be excluded.

5. The intent is to use the same format for future ISAPs. Is the format of this ISAP appropriate?

Yes

6. Is the change in nomenclature (from IASP to ISAP) appropriate?

Yes

IV. Summary of the comments received and our responses in seven areas that occurred in several comments.

We identified seven topics in the responses that we judged significant and addressed them first. These topics are shown followed by a summary of the comments received by paragraph and our responses.

Topics

- a. The ISAP overlaps and sometimes is inconsistent with the professional code of conduct (also referred to as “code”).
- b. The ISAP treatment of employed actuaries does not work well.
- c. The ISAP appears to cover actuaries doing non-actuarial work; it should not.
- d. The ISAP should include the IASSC objectives in paragraph 1.1 - Purpose
- e. The ISAP is confusing in the reporting and communications area.
- f. The ISAP does not address certain subjects which should be included.
- g. The ISAP purports to be principles-based but appears to be more rules-based.

Identification of these seven topics was intended both to assist the IASSC and its General Task Force in taking a consistent approach to the many comments received and to assist readers of this document in getting a high-level view of both the comments received and how they were addressed. As is clear from the numerous changes from the ED as detailed in section V of this report, we took the comments very seriously.

Topic a - Conflict with IAA Code

The requirements of various parts of the Exposure Draft conflict with the requirements of par 2.2.2 (f) of the IAA Internal Regulations (which addresses what a Full Member’s code of conduct must cover)

Comment	Several comments pointed out that there was overlap between the ED and the code of conduct requirements in par 2.2.2 (f) of the IAA Internal Regulations.
Response	We considered these comment carefully. The ISAP is intended to expand on the guidance given in the code and should not conflict with it. The ISAP has been edited to accomplish this.

**ISAP 1 Report
Treatment of Comments on Exposure Draft**

22 August 2012

Comment	One comment recommended ISAP 1 be conformed with 2.2.2 (f) of the IAA Internal Regulations and use the verb “must” rather than “should” to align more closely with the verb “shall” used in 2.2.2 (f)
Response	We have used “shall” (which we define to have the same meaning as “should”) when using language that matches 2.2.2 (f). Note that 2.2.2 (f) uses both “shall” and “must” which supports this reading.
Comment	One comment stated that we believe that guidance on the financial interest of the actuary is fundamental, and would be worthy of inclusion. It may be more appropriate to include such guidance in a member association’s code of conduct.
Response	We consider this is intended to be covered by 2.2.2 (f) (vii) of the IAA Internal Regulations on conflicts of interest and made no change.

Topic b – Employed and responsible actuaries

The ISAP attempts to distinguish responsible actuaries (an actuary leading a team) from actuaries (members, but not leaders, of a team). It also distinguishes between employed actuaries (an actuary doing work for his/her employer) and actuaries working for clients. Neither effort was judged successful by several commenters.

Comment	Several comments pointed out the issues described above as Topic b.
Response	We considered these comments carefully. We have restructured the ISAP to remove all mention of employed or responsible actuaries in the body and instead inserted a new par 1.4 to address these two areas.

Topic c - Actuaries doing non-actuarial work

The ED does not adequately address the issue of “actuaries doing non-actuarial work” clearly enough. A related issue is the doing of non-traditional actuarial work.

Comment	Several comments stated that the ED does not adequately identify that the doing of non-actuarial work falls outside the scope of the ED. Comments suggested replacing the term “professional services” with the term “actuarial services.”
---------	---

Response	We agree. The ISAP was never intended to apply to non-actuarial work, but the language could have been clearer. The term “professional services” has been replaced by “actuarial services” and defined clearly to encompass only actuarial work.
----------	--

Topic d - Include IASSC objectives in purpose

The general IASSC objectives should be included in ISAP 1. At least, the purpose should include more direct reference to the attributes of high quality actuarial work. Furthermore, there should be more emphasis on proportionality in the purpose provision.

Comment	<p>The purpose of the ISAP is not specific enough. It should include more direct reference to the attributes of high quality actuarial work. The following changes are proposed:</p> <p>The general IASSC objectives should be included in ISAP 1 under 1.1 Purpose.</p> <p>“This ISAP ensures that intended users are given confidence that professional services are carried out with due care, the results are relevant to their needs, are presented clearly and understandably, are complete [including the communication of any uncertainty inherent in the information] and there is transparency concerning the measures, methods and assumptions used.”</p>
Response	We did not include the IASSC objectives as a whole in par 1.1. Instead we edited par 1.1 to address the second concern.

Topic e Reporting & Communication

The requirements for reporting and communication on professional services may be too prescriptive and extensive if a principle-based approach is pursued (proportionality principle). Furthermore, they can hardly be applied to oral statements because any compliance check would be impossible due to the lack of proof. The distinction between work product and report should be more precise.

Comment	ISAP 1 should apply only to written statements. The Term “report” should be replaced by “written statement” or at least defined as “an actuary’s written formal communication presenting the results of professional services”. Furthermore, there should be no substantial items of professional services that are only communicated orally.
---------	---

**ISAP 1 Report
Treatment of Comments on Exposure Draft**

22 August 2012

Response	<p>We believe ISAP 1 should cover any kind of communication on the professional services performed by actuaries. In particular, the requirements on communication as outlined in pars 4.1.1 to 4.1.4 should also apply to oral communication. However, we acknowledge that oral communication by its nature will not be relied upon in the same way as written communication. We have edited the term “report” to mean a particular recorded statement in the context of formal communication.</p> <p>We agree that there should be no substantial items that are communicated only orally. However, we believe that the guidance given in 4.1.1 is sufficient and adequate.</p>
Comment	<p>The distinction between “work product” and “report” is not clear. The term “work product” should apply to the assignment as a whole which can be a collection of items of professional services such as communication to the client in a number of different reports. The requirements of par 4.2 should apply to the collection of reports issued in the context of the work product.</p>
Response	<p>We changed the defined term “work product” to “work” and edited its definition. We removed the definition “written statement.” We edited the definitions of “communication” and “report.”</p>
Comment	<p>Every actuarial service must provide something which is intended to be relied upon by the intended user. Thus, a “report” is required for every professional service. Therefore the first sentence of par 4.2 should be completely deleted (“The actuary should complete a report if the actuary intends the results of professional services to be relied upon by any intended user.”).</p>
Response	<p>We edited par 4.2.</p>
Comment	<p>The proposed structure on reporting might be seen as disproportionate for smaller items of work. It limits the ability of the responsible actuary to select the form and content of the report to be appropriate to the particular circumstances which is required under par 4.1.1. In particular, it should be made clear that not all communications should be considered “reports” and that reports are not required for all professional services.</p>
Response	<p>We have edited par 4.2 to address this concern of proportionality.</p>
Comment	<p>Communication should not only be clear, but also transparent. Transparency is considered to be a key attribute of high quality actuarial work and this should be reflected in the principles concerning communication. The overriding clarity principle should require the actuary to take account of skills, understanding and technical knowledge of the intended users.</p>
Response	<p>We believe that the principle of transparency is sufficiently addressed in par 4.1.1 in requiring the actuary to “use language appropriate to the particular circumstances taking into account the intended user”. We have edited par 4.1 to provide more specific guidance on what “clarity” and “appropriate language” mean.</p>

**ISAP 1 Report
Treatment of Comments on Exposure Draft**

22 August 2012

Comment	The requirement that in case of a short report the “full report should be available to any intended user” would significantly increase the fees for many actuarial consulting projects, and likely cause some principals to proceed without actuarial input due to cost constraints.
Response	We reconsidered par 4.2.5 on shorter reports and came to the conclusion that it might be confusing to establish another communication format between a full report and other types of non-oral statements. We have deleted [old] par 4.2.5.
Comment	The communication should refer to the uncertainty inherent in the information provided.
Response	We agree that reports (but not necessarily all communications) should comment on the uncertainty of information and results, and have addressed this in sub-pars 4.2.1.b and 4.2.2.d.

Topic f Subjects missing from the Exposure Draft

Comment	A comment suggested adding a paragraph on “judgment” such as: “The actuary should exercise reasonable judgment in applying the standards. A judgment is reasonable if it takes into account the spirit and intent of the standards, common sense and appropriate constraints on time and resources.” This was also addressed as reasonable assumptions and proportionality of effort to size of item.
Response	We agree and added new par 1.5
Comment	A comment suggested adding a paragraph giving the actuary guidance on how to address “subsequent events”.
Response	We agree and added pars 2.13 and 3.12
Comment	A comment suggested adding a paragraph on “qualified opinions” so that an actuary can perform the work when standards cannot be applied or adequate information is not available.
Response	We note that performing work when the guidance in the standard is not followed for whatever reason is covered by par 1.3, and using inadequate data in 3.5.4.c. We made no change.
Comment	Three comments suggested adding a paragraph on “uncertainty”, and opined that a report is not complete unless the uncertainty in the results is described.
Response	We agree and addressed this in sub-pars 4.2.1.b and 4.2.2.d.

Topic g – Principles- vs rules-based

Several comments suggested the IASSC consider revising or deleting certain areas of ISAP 1 that appear to be rules-based

Comment	Par 3.1 (acceptance of assignment) should be deleted or streamlined. As written it is too rules-based.
Response	We reviewed par 3.1 and view most of it as useful guidance. However, we have deleted [old] 3.1.1.a and the last paragraph of [old] 3.1.2. As revised we believe the ISAP is appropriately principles-based.
Comment	Par 3.4 (reliance) does not belong in an ISAP.
Response	We feel 3.3 (formerly 3.4) is an important part of the ISAP and note that the Social Security Task Force (which has just drafted the Exposure Draft of the SS ISAP) relies on 3.3 heavily through cross reference. We made no change.
Comment	Par 4.2.3 is too prescriptive and would pose an unreasonable burden on smaller assignments.
Response	We agree that 4.2.3 is too prescriptive as drafted. We deleted 4.2.3 and combined some topics into 4.2.1.

V. Detailed paragraph by paragraph summary of the comments received and our responses.

Title of ISAP	
Comment	Several commenters recommended the title of the ISAP included the word “model” to make it clear it is a model standard.
Response	We made no change. The IASSC has adopted the term International Standard of Actuarial practice after much discussion. The preface makes it very clear that the ISAP is a model standard.
Preface (formerly Introduction 1)	
Comment	We received several comments on the preface.
Response	We edited it significantly to give more drafting directions and to be clearer.
Introduction (formerly Introduction 2)	
Comment	We received many useful comments.
Response	We edited accordingly, moved much of the material into section 1, and deleted the rest.

Paragraph 1.1 Purpose	
Comment	Several commenters suggested expanding the purpose paragraph, including capturing the essence of the objectives for ISAPs recently proposed by the IASSC and adopted by Council.
Response	We agree and revised par 1.1.
Comment	A comment suggested that 1.1 should state the ISAP is a minimum standard.
Response	We disagree and made no changes.
Paragraph 1.2 Scope	
Comment	We received several comments on 1.2. Two commenters suggested ISAP 1 apply only to reserved roles (e.g. statutory/regulatory roles). Several suggested that the second paragraph be numbered separately. We also received a suggestion that the second paragraph belonged in par 4.3.
Response	We addressed most of the comments (especially proportionality) elsewhere, and restructured section 1 extensively. As a result we added 1.3 which includes the old second paragraph of 1.2 and the material formerly in 4.3. We did not agree with the suggestion that scope be limited to reserved roles because it is inconsistent with the decisions made by the Professional Committee, and ratified by Council, in Vienna that there should be a general standard on which the IFRS standard (now two standards) and the SS standard would rely. All general material would be addressed once in this standard.
Comment	There was a question as to how many General Standards the IASSC planned.
Response	We do not know at this time. There could easily be more than one, or future material of a general nature could be incorporated into this standard through amendment.
Comment	Some commenters were concerned with the way the General Standard and possible specific standards interacted.
Response	We have considered this carefully. We have (for the time being) retained the structure of indication and override of a general standard by a specific standard by flagging it with “Notwithstanding” in the specific standard but will review any such proposal carefully. We note that this structure is working well in Canada.
Paragraph 1.3 Compliance (formerly 1.2 and 4.3)	
Comment	We received several comments on what is now 1.3.
Response	We edited 1.3 extensively in response to these comments.
Paragraph 1.6 Language (formerly Introduction)	

**ISAP 1 Report
Treatment of Comments on Exposure Draft**

22 August 2012

Comment	Several comments noted that “must” did not occur in the ISAP.
Response	We retained the paragraph (with minor edits) since we feel it is important for consistency across ISAPs, and “must” may occur in other ISAPs.
Comment	A comment suggested that “should” be defined as a stronger directive.
Response	We disagree and made no change.
Comment	A comment suggested that “might” and “should consider” should be defined since they did occur frequently in the ISAP.
Response	We did not feel a definition was needed. We referenced “might” but otherwise made no change.
Paragraph 1.7 Cross References (formerly 1.3)	
Comment	A commenter stated this paragraph was confusing and should be omitted since there was no such cross reference in ISAP 1.
Response	We retained the paragraph (with minor edits) since we feel it is important for consistency across ISAPs.
Comment	A commenter stated that it was the responsibility of the adopting standard setter and not the actuary to track changes in a cross referenced document.
Response	We agree but retained the guidance since the standard setter might not do this.
Paragraph 1.8 Effective Date (formerly 1.4)	
Comment	Several comments suggested which phrase (of the three offered) was preferable.
Response	We made no change as we intend the adopting standard setter to select which phrase best fits their specific circumstance.
Paragraph 2.1 Accepted Actuarial Practice (formerly 2.13)	
Comment	One comment suggested making the defined term “Accepted actuarial practice” to be consistent with that of national actuarial standard setters.
Response	We agree and made this change.
Comment	One comment pointed out that actuarial standard setters were not necessarily IAA member association.
Response	We agree and edited 2.1 to address this issue.
Paragraph 2.2 Actuarial Services (formerly 2.12)	

**ISAP 1 Report
Treatment of Comments on Exposure Draft**

22 August 2012

Comment	Several comments warned against inadvertently including non actuarial services performed by an actuary in the scope. Several suggested using the term “actuarial services” in place of “professional services.” Commenters also requested clarification on whether uncompensated services (pro bono) were included.
Response	We agree and replaced the term “professional services” by “actuarial services”, and then edited 2.2
Paragraph 2.3 Actuary (formerly 2.1)	
Comment	A comment suggested the terms “actuary” and “responsible actuary” were confusing.
Response	We agree, dropped the term “responsible actuary” and added material to par 1.4 (new) to cover the concept we were trying to address.
Comment	A comment suggested the definition of actuary should be revised to include any individuals who are subject to the professional standards of the member associations of the IAA.
Response	We did not understand how this differed from members of a member association and made no change.
Old Paragraph 2.5 Employed Actuary (deleted)	
Comment	A commenter found the use of the term “employed actuary” confusing.
Response	We agree, removed the term (including deleting old par 2.5), and addressed this issue in paragraph 1.4.
Paragraph 2.5 Communication (formerly 2.3)	
Comment	The application of any standard to oral communication will be impossible to check.
Response	We felt that professional actuarial advice is sometimes given orally and that excluding such communication from the standard would expose the profession to risk. We edited the wording slightly for clarity.
Comment	The reporting requirements should be re-drafted to make it clear that not all communications should be considered "reports" and that reports are not required for all actuarial/professional services.
Response	We felt that pars 2.14, 4.1, and 4.2 adequately address the possibility of a communication other than a report (as defined).
Comment	While it is possible to issue a written statement we do not consider it normal usage to issue an oral statement, and the word “issued” in par 2.4 should be replaced by the word “made”.
Response	We agree, and changed the word “issued” in par 2.5 to “issued or made”.

Paragraph 2.6 Entity	
Comment	Several comments stated that the defined term “entity” should not be restricted to enterprises.
Response	We agree and changed the definition accordingly.
Paragraph 2.8 Intended User	
Comment	The ISAP should differentiate between the intended and the expected user.
Response	We disagree. The actuary’s expectation as to who might use his/her report for whatever purpose does not matter. The actuary should only consider those parties that are intended to use the report.
Comment	The intended user is intended to use the results of the work product, not any supporting calculations and documentation.
Response	We agree and limited the intended use to the report, i.e. the results of actuarial services, rather than to the totality of actuarial services.
Paragraph 2.11 Professional Judgment	
Comment	The term “specialized” in “specialized training” (par 2.11), should be defined.
Response	We agree, but changed it to “actuarial”.
Paragraph 2.12 Report (formerly 2.14)	
Comment	Several commenters requested removal of the concept of an oral report.
Response	We agree and restricted the definition to “any recorded form”.
Comment	One commenter pointed out that actuarial services do not always result in a “report.”
Response	We have edited par 4.2 based on other comments and believe it is now clear that a report should be as extensive, or as brief (including non-existent), as the assignment warrants.
Old paragraph 2.15 Responsible Actuary (deleted)	
Comment	Several commenters felt the term “responsible actuary” was confusing and the reasons for the distinction between actuary and responsible actuary were unclear.
Response	We agree and deleted the definition of responsible actuary. We moved the concept of responsible actuary into par 1.4.
Section 3 Appropriate Practices	

**ISAP 1 Report
Treatment of Comments on Exposure Draft**

22 August 2012

Comment	Much of section 3 may be seen as being solely for the benefit of actuaries rather than users. This might have the unintended consequence of undermining the value of other parts of the document for users of actuarial information.
Response	We do not share this view and decided not to make any changes in this regard.
Paragraph 3.1 Acceptance of Assignment	
Comment	This paragraph is too rules-based.
Response	We do not agree and retained most of the information with minor adjustments.
Comment	Various comments were received that acceptance of assignments pertain to appropriate business practices and commercial aspects rather than professional actuarial practice and could be handled in separate, non-mandatory resource material.
Response	We felt that such guidance adds value to the ISAP and retained it. Some smaller editorial changes were made.
Comment	The use of the terms “sponsor” and “principal” and “employed actuary” were problematical.
Response	The matter was addressed by removing the terms “sponsor” and “employed actuary” from the ISAP (as described earlier under Topic b).
Comment	Some phrases such as the words “(whether a single freestanding assignment or an ongoing contract)” do not add much value and should be deleted.
Response	We agree and deleted some of those phrases.
Comment	Even when qualified, suitable experience is also required.
Response	We agree, but it does not have to be explicitly stated, since a qualification standard will specify the experience required.
Comment	The need to clearly identify the assignment, the client, and the client's role, should be inserted at the start of section 3 of ISAP 1.
Response	We felt that these aspects are generally dealt with in 3.1.1. We added 3.1.1.a to clarify the principal’s role.
Paragraph 3.1.2 (formerly 3.1.1) and 3.2	
Comment	The term “engagement” (par 3.1.1 and 3.2) should be defined.
Response	We agree that the introduction of a new term is not necessary, and changed “engagement” to “actuarial services”, which is a defined term.
Paragraph 3.3 Reliance on Others (formerly 3.4)	

Comment	We received several comments on par 3.3, including whether it should be included, and whether it was too rules based.
Response	We felt the concept of reliance was important and retained the paragraph. We changed the order of the sub-paragraphs and edited the wording to make the intent clearer.
Paragraph 3.4 Materiality (formerly 3.5)	
Comment	When the level of materiality is selected by someone else, there should be additional guidance provided. In particular the actuary should exercise specific judgment on the appropriateness of the materiality level set by another party or state how it has been defined.
Response	We did not agree and made no changes. Specific judgment on the appropriateness of materiality levels is deemed necessary only in those cases where materiality is determined by the actuary. A statement on how materiality has been defined should not be necessary in every case.
Comment	The wording of the draft is not clear enough in that materiality does not need to be considered and determined for all work that would fall within the scope of this ISAP. Furthermore, the standard should make clear when materiality is determined by the actuary and when it is not.
Response	We agree and changed the wording accordingly.
Comment	The actuary should ensure the principal/recipient of the report or work product is advised of the definition of materiality being adopted.
Response	We agree and inserted 3.4.3 to address this.
Paragraph 3.5 Data Quality (formerly 3.6)	
Paragraph 3.5.1 Sufficient and Reliable Data	
Comment	One commenter suggested minor edits.
Response	We accepted the edits.
Comment	Two commenters suggested 3.6.2 (now 3.5.1) was too restrictive and needed more guidance.
Response	We reviewed 3.5.1 as edited and felt it was the correct level.
Paragraph 3.5.2 Validation	
Comment	Several commenters suggested various edits to 3.6.3 now 3.5.2). The most significant was to request replacing “verify” by “review” as verify seemed to imply audit, which was too stringent a requirement.

Response	We agree and accepted most of the edits.
Paragraph 3.5.3 Sources of Data for Entity Specific Assumptions	
Comment	Commenters suggested expanding 3.6.1 (now 3.5.3) to address non-insurance entities better and also to require disclosure of modifications made to the data.
Response	We agree and edited 3.5.3 accordingly. We moved the paragraph to 3.5.3 and retitled it since it deals with a special case of data (data used for entity specific assumptions),
Paragraph 3.5.4 Data Deficiencies	
Comment	One comment suggested that the actuary should state if any data deficiencies were not material.
Response	We disagree (noting that the actuary should disclose any material data deficiencies that cannot be resolved) and made no change.
Comment	Several comments suggested that 3.5.4.c should be strengthened.
Response	We agree and strengthened it.
Paragraphs 3.6 - 3.9 Assumptions and Methodology (formerly 3.7, 3.8 and 3.10)	
Comment	We received numerous comments on the old pars 3.7 and 3.8.
Response	We inserted par 3.6 as a road map identifying the three possible cases for setting assumptions and methodology. We then addressed each case in 3.7 - 3.9 rearranging and clarifying the guidance in the ED and adding some refinements suggested by the comments we had received.
Paragraph 3.7 Assumptions and Methodology Set by Actuary	
Comment	One comment suggested requiring formal management sign-off when actuary considers future management action.
Response	We disagree that such formal sign-off is required for all actuarial work. We believe that there is sufficient guidance in IASP 1 with respect to assumptions in pars 3.7, 3.8, and 3.9 that further requirements are not necessary.
Paragraph 3.7.2 Appropriateness of Assumptions	
Comment	A question was submitted about the appropriateness of biased assumptions. Another commented that they were opposed to having known significant bias in a selected assumption and that all assumptions should be explicit. Suggestions were offered that the ISAP separately comment on the potential use of margins for adverse deviations within assumptions.

**ISAP 1 Report
Treatment of Comments on Exposure Draft**

22 August 2012

Response	We added par 3.7.3 addressing margins for adverse deviations. We do not agree that all assumptions must be explicit (e.g., in general insurance ratemaking, the trend used for a line of business with an inflation-sensitive exposure may implicitly recognize differences in exposure trend and claims trend; similarly the credibility that the actuary assigns to the organization's data vs. industry data is often an implicit rather than an explicit assumption).
Comment	Several comments suggested various edits.
Response	We made several edits in response to these comments.
Comment	There was a comment that the draft ISAP did not address the context in which assumptions are used.
Response	We believe this is adequately addressed in 3.7.1.
Paragraph 3.7.4 Discontinuities	
Comment	We received several suggested edits to pars 3.7.3 and 3.7.4 of the ED .
Response	We edited these paragraphs based on the comments.
Paragraph 3.7.5 Sensitivities of Results	
Comment	A commenter suggested that documentation of selected assumptions and methodology be required
Response	We believe that documentation is sufficiently addressed in 3.13 without the need for further requirements in this paragraph.
Comment	A commenter suggested that the actuary be directed to monitor the actual experience against the expected experience based on the assumptions adopted, and that this comparison and review should form a significant part of the assumption-setting process.
Response	We do not believe this is appropriate for all assignments and made no change.
Paragraph 3.7.6 Individual Assumptions and Aggregate Assumptions	
Comment	There were multiple comments, often times conflicting, about assumptions that are not selected by the actuary (either set by another party or mandated by law, etc.). These addressed: Adjustment of certain assumptions to offset mandated assumptions (some think it should be prohibited and others that it could or should be allowed) Need for independently reasonable assumptions Disclosure (some comment that it should be required and others not required)
Response	We made minor edits to the wording.

Comment	There was a suggestion for further guidance as to what adjustments might be considered appropriate to achieve a reasonable assumption set.
Response	We disagree that further guidance is necessary as we want the standards to be principles-based and believe that such guidance could be viewed as being too prescriptive.
Paragraph 3.7.7 Internal Consistency of Assumptions	
Comment	A commenter suggested that there should be consistency not only between assumptions used in a particular report, but also with assumptions used previously on a similar assignment, and, if the assumptions are not consistent with those used previously, this should be explained and the effect quantified.
Response	We think this suggestion is too onerous for <u>all</u> actuarial work. The suggestion may be appropriate for an annual valuation of policy liabilities, but not necessary for financial modeling or pricing. We think the general considerations set out in par 3.7 provide the appropriate guidance for the actuary.
Paragraph 3.7.9 Additional Assumption Sets Requested by the Principal	
Comment	We received multiple comments on this paragraph.
Response	These comments have been addressed in the revised wording.
Paragraph 3.8 Assumptions and Methodology Prescribed	
Comment	A comment suggested that there should be an explicit statement in the ISAP which required the actuary to consider all material risks in selecting appropriate methodology. Focus on importance of risk and absence of that term from the entire IASP.
Response	We do not agree with this suggestion as it will depend on the scope of the actuarial work. For example, for an automobile rate filing that must be completed in accordance with specified regulatory requirements, such a statement would not be appropriate.
Comment	We received multiple comments on the former pars 3.6, 3.7, and 2.10
Response	These comments have been addressed in the revised wording.
Paragraph 3.9 Assumptions and Methodology Mandated by Law	
Comment	Some comments thought the actuary should give an opinion on assumptions and methodology mandated by law.
Response	We disagree but restricted the usage of reports where assumptions or methodology are mandated by law.
Paragraph 3.10 Process Management (formerly 3.9)	

Comment	We received a few comments on this paragraph.
Response	These comments have been addressed in the revised wording.
Paragraph 3.11 Peer Review	
Comment	We received multiple comments on this paragraph.
Response	These comments have been addressed in the revised wording.
Paragraph 3.12 Subsequent Events (new)	
Comment	We received comments suggesting the ISAP should address subsequent events.
Response	We agree and added this paragraph.
Paragraph 3.13 Documentation (formerly 3.12)	
Comment	We received multiple comments on this paragraph.
Response	We edited it substantially as a result of these comments.
Section 4 Communications	
Comment	The report should include commentary on uncertainty in the results.
Response	We agree and addressed uncertainty in sub-par 4. 2.1.b and 4.2.2.d accordingly.
Paragraph 4.1 General Principles	
Comment	Several comments pointed out that there was overlap between the ED and the code of conduct requirements in par 2.2.2 (f) of the IAA Internal Regulations regarding par 4.1.4 in particular. It was proposed to replace the requirement to indicate the extent to which the actuary is available to provide supplementary information and explanation by a broader requirement to indicate how any further explanation can be obtained.
Response	The ISAP is intended to expand on the guidance given in the code and should not conflict with it. We edited the ISAP to accomplish this (see topic a).
Comment	The wording of the first sentence could be interpreted as meaning that it is acceptable to agree unreasonable time periods for communication of work products.
Response	We agree and changed the wording accordingly.
Comment	One commentator stated the use of the word “clear” in the context of communication should be avoided as clarity was a subjective matter. Instead, communication should better be “appropriate, having regard to ...”.

**ISAP 1 Report
Treatment of Comments on Exposure Draft**

22 August 2012

Response	We disagree and made no changes.
Comment	Par 4.1 should more clearly refer to the capacity of users to understand the concepts being explained by the actuary, whether in written or oral communications, by reference to the intended audience, the purpose of the communication, the significance of the communication to the user and the capacity in which the member is acting.
Response	We agree and inserted an introductory paragraph on general principles of communication which are further specified in the existing subsequent subparagraphs.
Comment	The last sentence in par 4.1.4 should match par 2.2.2 (f)(vi) of the IAA's Internal Regulations, dated 15 March 2011.
Response	We agree and changed the last sentence accordingly.
Paragraph 4.2 Report	
Comment	Some commentators requested a list of all items where disclosure should be made in the report.
Response	We agree and amended par 4.2.2.
Comment	The requirement that "the actuary should ensure that report components in electronic media are such that they can be reliably reproduced at future dates" should be deleted because the role of being able to ensure backup and traceability of these electronic media is generally not devoted to the actuary but rather to the IT function.
Response	We disagree. Although it is an IT function the actuary should ensure that it is being done. However we qualified the requirement by "for a reasonable period."
Comment	The detailed guidance on reporting should be better placed in some form of best practice or non-mandatory guidance material which should be made available to member organizations.
Response	We disagree. We made changes to emphasize that the proportionality principle also applies to reports.
Comment	The reporting requirements should be re-drafted to make it clear that not all communications should be considered "reports" and that reports are not required for all actuarial/professional services.
Response	We believe that the final wording of this ISAP is sufficiently clear on this point. We included the possibility that any intended user may otherwise be adequately informed about the results of actuarial services in 4.2.
Paragraph 4.3 Deviation from Guidance in this Standard (deleted)	

ISAP 1 Report
Treatment of Comments on Exposure Draft

22 August 2012

Comment	Some commentators suggested that 4.3 had nothing to do with reporting.
Response	We agree and moved the concepts into the new 1.3