



Financial Reporting Committee comments on International Actuarial
Association draft Practice Guideline:

Actuarial Practice When Providing Professional Services to Reporting Entities
Concerning Financial Reporting of Insurance Contracts, Financial
Instruments, and Service Contracts Under International Financial Reporting
Standards

The Financial Reporting Committee of the American Academy of Actuaries appreciates the opportunity to comment on the International Actuarial Associations' (IAA) draft Practice Guidelines. Members of the Financial Reporting Committee include: Ralph S. Blanchard, FCAS, MAAA, Chairperson; Henry W. Siegel, FSA, MAAA, Vice-Chairperson; Mark G. Beilke, ASA, MAAA; Rowen B. Bell, FSA, MAAA; Errol Cramer, FSA, MAAA; William C. Hines, FSA, MAAA; Darrell D. Knapp, FSA, MAAA; Ken A. LaSorella, FSA, MAAA; Jinn-Feng Lin, FSA, MCA, MAAA; Jay B. Morrow, FCAS, MAAA; Mark F. Oberholtzer, FSA, MAAA; William J. Sohn, FCA, FSA, MAAA; Stephen J. Strommen, FSA, MAAA; Andrea M. Sweeny, FCA, FCAS, MAAA; Nancy P. Watkins, FCAS, MAAA; James F. Verlautz, FCA, FSA, MAAA.

The Committee supports the effort of the IAA in creating guidance for actuaries working with international financial reporting standards and offers the following observations:

1) This document is a "Practice Guideline" rather than a "Recommended Practice". This makes the contents educational in nature rather than prescriptive. As a result, the phrase "should consider disclosing" rather than "should disclose" or similar construction is used in many places. While we recognize the purpose of this phrasing, there are several circumstances where this wording is both awkward and ill advised.

For instance, in section 4.1.1 to say the Actuary should consider disclosing in a report...whether the actuary is providing professional services in compliance with this PG..." might give the impression the actuary might not need to disclose. Rather, the phrase should be change to normally discloses" which by its nature leaves room for the actuary not to do it but is educational since it tells the reader what practice generally is. We have suggested similar changes in other places in the document.

2) In Section 4.2.2 it states that the actuary "should consider not providing professional services if he or she does not have the appropriate qualification...to successfully complete the assignment." This is a situation where education is not so much the issue. The Codes of Professional Conduct an actuary works under generally requires that the Actuary be competent and adequately qualified to perform work assignments. Therefore, actuaries should definitely not provide services for which they are not qualified. We suggest this paragraph be reworded to refer to the Codes of Professional Conduct.

3) In 4.2.5 we believe the actuary would be very prudent to explain a deviation from the PG if he or she claims to be following it.

4) In Paragraphs 4.2.7 and 4.2.8 the word “would” is used. We believe it should read “would normally” or some such modifier. Otherwise the reader is left wondering where “would” ranks between “should” and “should consider”.

In Paragraph 4.2.8 again we think the “should consider” language is not strong enough, even in educational documents.

5) In Paragraph 4.2.9 there is a phrase that “Provided that using another person’s work... does not constitute unauthorized practice in relation to the other person’s profession...” It’s not clear what this phrase means. If the reference is to requirements that auditors not rely on others in formulating an opinion that is a requirement on the auditor and not on the actuary. We would prefer to that the initial phrase be deleted.

6) Also in Paragraph 4.2.9 the last paragraph should be modified so that the actuary being relied upon has responsibility for determining whether his work product conforms to recognized actuarial practice and appropriate PG’s and to tell the actuary relying on the work whether it does or not.

Also attached is a redlined version of the Practice Guideline with our suggested changes.

Again, we would like to commend the IAA for creating guidance for actuaries working with international financial reporting standards, and we appreciate the opportunity to provide comments. If you have any questions regarding these comments, please contact Ethan Sonnichsen, Risk Management & Financial Reporting Policy Analyst, at 202-223-8196 or sonnichsen@actuary.org.