

Draft paper from ASSC to ProfC for Sofia meeting on the AAE's approach to addressing the recent amendments to ISAP1

Background [to be fleshed out when I have reviewed minutes of relevant meetings]

The IAA first adopted ISAP1 on 18 November 2012.

The AAE decided at the General Assembly on 3 October 2014 to adopt ESAP1.

Only minimal changes i.e. ESAP for ISAP everywhere. The main difference between ESAP1 and the original ISAP1 is the fact that the Glossary is included in each standard for ESAPs whereas ISAPs have a separate Glossary.

Have not made any changes to reflect conformance changes to ISAP1 adopted 23 April 2017

MoU with IAA [to be fleshed out when I have reviewed it] *matters of a truly international nature will be dealt with by the IAA whereas those relating only to European matters will be dealt with by the AAE.*

IAA has now adopted revised ISAP1 wef 1 December 2018 which includes text drawn from ISAP1A (adopted 21 November 2016) [which AEE has not replicated], and some other drafting amendments. The main changes are summarised in the Appendix [to be added]. ISAP1 notes that conformance with the prior version can be denoted by referring to ISAP1 (2017).

At the ProfC meeting in Utrecht, it was agreed that the ASSC will prepare a paper/recommendation on these matters taking into account the IAA Council decisions on this issue. The discussion at that meeting identified a number of different points of view, which are included in the discussion below.

Possible approaches and issues to consider

1. Make all changes which have been made to ISAP1 i.e. update ESAP1 to be ISAP1 as it now is, but with ESAP instead of ISAP everywhere.
 - a. Can AAE incorporate into ESAP1 the changes to ISAP1 without due process i.e. by agreement within ProfC?
 - b. If there is a policy decision to keep ESAP1 in line with ISAP1, this will require constant monitoring of ISAP1 and updating ESAP 1 when changes are made, following due process. But will there be many/any future substantive changes to ISAP1, given that actuarial principles are expected to stand the test of time?
2. Don't change ESAP1
 - a. It would still be consistent with ISAP (2017) and FMAs who have adopted ESAP1 or are consistent with it can still denote conformance with ISAP1 (2017)
 - b. This is a practical short-term solution, but may become untenable. Why would AAE not want to incorporate Model Governance standards? The only possible

reasons would seem to be that AAE does not support them, or they are not relevant in Europe, neither of which seems valid.

3. Scrap ESAP1

- a. AAE FMAs (all of whom are FMAs of the IAA??) will need to consider compliance with ISAP1; those already compliant with ESAP1/ISAP1 (2017) will need to consider if they want to move to ISAP1 (2018).
- b. If AAE wants to have its own self-contained set of standards which can be applied to European issues, it is inappropriate to scrap ESAP1.
- c. Can we rely on influence of European association representative in IAA ASC/Council to represent AAE interests in relation to future, so that we can support future changes to ISAP1 and not revert to a European standard?
- d. If it were thought pragmatic to do so, other ESAPs would need to be amended to reflect ISAP1 rather than ESAP1, which would be tedious but not contentious. It might be necessary to review these ESAPs, if and when further changes are made to ISAP1 in future, to ensure that the reference to ISAP1 is still appropriate.