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## **GLOSSARY OF DEFINED TERMS USED IN EUROPEAN STANDARDS OF ACTUARIAL PRACTICE**

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## Glossary of Defined Terms Used in European Standards of Actuarial Practice

This glossary is the single repository of all defined terms used in European Standards of Actuarial Practice (ESAPs). The glossary is not an ESAP and has no authority of its own. Defined terms are indicated in ESAPs in blue text with a dotted blue underline (e.g. [defined term](#)). As per the approval date of this glossary, the ESAP1 and ESAP2 texts have been updated to refer to this glossary. In the future this glossary might be revised when existing ESAPs are revised or new ESAPs are introduced.

**Commented [JMKvS1]:** Sentence added following comment from the Actuarial Society of Finland.

**AAE** – Actuarial Association of Europe.

**Accepted Actuarial Practice** – A practice or practices that are generally recognised within the actuarial profession as appropriate to use in performing [actuarial services](#) within the scope of an ESAP or the applicable professional standards of practice.

**Actuarial Function or AF** – An administrative capacity to undertake the particular governance tasks described in Article 48 of the [Solvency II Directive](#).

**Actuarial Function Report or AFR** – The [report](#) from the [Actuarial Function](#) to the [AMSB](#) in accordance with Article 48 of the [Solvency II Directive](#) and associated regulations, standards and guidelines. The [AFR](#) may consist of multiple components, and these components may be issued at different dates.

**Actuarial Services** – Services, based upon actuarial considerations, provided to [intended users](#) that may include the rendering of advice, recommendations, findings or opinions.

**Actuary** – An individual member of one of the member associations of the [AAE](#).

**Administrative, Management or Supervisory Body or AMSB** – The administrative, management or supervisory body as meant by the [Solvency II Directive](#), having the ultimate responsibility for the compliance, by the [undertaking](#) concerned, with the laws, regulations and administrative provisions adopted pursuant to the [Solvency II Directive](#).

**Adoption Date** – The date on which the ESAP was adopted as a final document by the General Assembly of the [AAE](#).

**Communication** – Any statement (including oral statements) issued or made by an [actuary](#) with respect to [actuarial services](#).

**Conflict of interest** – Situation in which an individual or organisation is involved in multiple interests, one of which could possibly corrupt the motivation for an act in the other or result in [work](#) which is not, or is not perceived to be, objective and impartial.

**Data** – all types of quantitative and qualitative information.

**Intended User** – Any legal or natural person (usually including the [principal](#)) whom the [actuary](#) intends, at the time the [actuary](#) performs the [actuarial services](#), to use the output of the [actuarial services](#).

**Law** – Applicable acts, statutes, regulations or any other binding authority (such as accounting standards and any regulatory guidance that is effectively binding).

**Material** – Matters are material if they could, individually or collectively, influence the decisions to be taken by [intended users](#) on the basis of the relevant information given. Assessing whether something is material is a matter of reasonable judgement which recommends consideration of the [intended users](#) and the context in which the [work](#) is performed and reported (similarly **materiality**).

**Model** – A simplified representation of some aspect of the world. A model is defined by a specification which describes the matters that should be represented and the inputs and the relationships between them, implemented through a set of mathematical formulae and algorithms, and realised by using an implementation to produce a set of outputs from inputs in the form of [data](#) and assumptions, usually involving [professional judgement](#) of the [actuary](#).

**Model Governance** – The application of a set of procedures and an organisational structure designed so that [intended users](#) can place their confidence in the results of the [model](#).

**Model Risk** – The risk that, due to deficiency in the [model](#) or in its use, an [intended user](#) of the results of the [model](#) will draw an incorrect conclusion from those results.

**Opinion** – An opinion expressed by an [actuary](#) and intended by that [actuary](#) to be relied by the [intended users](#).

**Principal** – The party who engages the provider of [actuarial services](#). The principal will usually be the client or the employer of the [actuary](#).

**Professional Judgement** – The judgement of the [actuary](#) based on actuarial training and experience.

**Report** – The [actuary](#)'s [communication](#)(s) presenting some or all of the output of the [actuarial services](#), including any results, advice, recommendations, findings and opinions, to an [intended user](#) in any recorded form including but not limited to paper, word processing or spreadsheet files, e-mail, website(s), slide presentations and audio or video recordings.

**Solvency II Directive** – Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

**Subsequent Event** – An event of which the [actuary](#) becomes aware after the valuation date (or date to which the [actuarial services](#) refer) but before the [actuary's communication](#) on the results of these [actuarial services](#) is delivered.

**Technical Provisions** – The technical provisions of an [undertaking](#) calculated under the valuation principles of the [Solvency II Directive](#) (Articles 75 to 86).

**Undertaking** – An insurance or reinsurance undertaking which has received authorisation to carry out the business of insurance or reinsurance in accordance with Article 14 of the [Solvency II Directive](#).

**Underwriting** – The process of defining, evaluating and pricing insurance or reinsurance risks, including the acceptance or rejection of insurance or reinsurance obligations.

**Work** – All actuarial activities performed by an [actuary](#) related to [actuarial services](#). It usually includes acquisition of knowledge of the circumstances of the assignment, obtaining sufficient and reliable [data](#), selection of assumptions and methodology, calculations and examination of the reasonableness of their result, use of other persons' work, formulation of opinion and advice, documentation, reporting and all other [communication](#).