

REVIEW OF ESAP 3 AND THE TERMS OF REFERENCE OF THE ESAP 3 REVIEW TASK FORCE

The Scope of the Review

According to the AAE Due Process for Development of ESAPs (DP) "Each ESAP should be reviewed at least every five years to ensure that all existing ESAPs are up-to-date, relevant and meet the needs of users of actuarial services and of actuaries. When Step 1 [Initial Considerations] is initiated in respect of the revision of an existing standard, and where material changes are being proposed, the normal due process is to be followed. When only minor changes are thought necessary, or where a model standard which is based on a standard prepared by another organisation (such as ESAP1, which closely follows ISAP1 issued by the IAA), then the due process may be foreshortened, unless the Professionalism Committee requests the normal due process to be followed. ..." (DP 3)

ESAP 3 [Actuarial practice in relation to the ORSA process under Solvency II](#) was issued 2 August 2017 and it is now time for the review. The Professionalism Committee has approved the ASSC work plan, including the review of ESAP 3, on 1 October 2021.

The ORSA has proved to be a very useful tool for insurers to go through different risks and scenarios from their own business perspective; actuaries are in a fundamental role to ensure that the ORSA process provides useful results for the decision making. There are also a number of new themes and risks to be considered such as systemic risks, macro-prudential aspects, sustainability related matters, change of the economic cycle and digitalization. Supervisors have shown a growing interest for the ORSA and its outcomes and the topics to be covered in it. There are therefore quite a lot of expectations and even pressures on the content of the ORSA reports. Taking this into account additional content may be useful to add in the ESAP 3. On the other hand some issues discussed when the EAN 1 was developed could also add value in the ESAP 3. The ESAPs should respond to the evolving practices and therefore it is important that these aspects are considered in the review. This means, or could mean, a slightly wider scope for the ESAP 3 than just keeping the focus on the current ESAP 3 content.

According to the Due Process if the scope of an ESAP will be changed this should be approved by the Professionalism Committee. (DP 2.3 and 2.4)

ESAP 3 Review Task Force

According the Due Process "The ASSC decides whether to develop the exposure draft of the proposed ESAP as a full team or whether to establish a task force with an appropriate balance of suitably qualified individuals to draft the ESAP (in English). ..." (DP 2.5). The Terms of Reference of the ASSC defines "Subject to the Professionalism Committee approval the ASSC may establish Task Forces in order to enable it to carry out its work in the most effective way."

The ASSC plans to establish a Task Force for the review to which it has invited members from the Insurance Committee, the Risk Management Committee and the Sustainability and Climate-Related Risks Working Group.

The Task Force will review the ESAP 3 and propose any changes it considers are needed to keep the ESAP up to date. In addition, the Task Force will prepare the necessary amendments to the AAE Glossary (2021). The Task Force reports to the ASSC. Once approved by the ASSC the exposure draft will be submitted to the Professionalism Committee for approval to be submitted for consultation by the Member Associations, planned for the end of 2022. The ASSC will report to the Professionalism Committee on the progress.

The Task Force members are

Jules Krijgsman van Spangenberg, chairperson, ASSC

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| Sam Achord | Den Danske Aktuarforening |
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| Jerôme Crugnola-Humbert | Schweizerische Aktuarvereinigung |
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| Loudina Erasmus | Koninklijk Actuariel Genootschap |
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| Daphné de Leval | IA BE |
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The ASSC welcomes also other volunteers to join the Task Force.

Proposals to the Professionalism Committee

1. To approve the scope of the review of the ESAP 3 as described above; and
2. To approve the terms of reference and membership of the ESAP 3 Review Task Force.

Submitted for approval by

Actuarial Standards Subcommittee
Hillevi Mannonen, chairperson

28.2.2022