

GLOSSARY OF DEFINED TERMS USED IN EUROPEAN STANDARDS OF ACTUARIAL PRACTICE

EXPOSURE DRAFT

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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.~~

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](#).

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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](#).

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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.

Entity – The subject, in whole or in part, of the actuarial services, including an enterprise, an insurer, a pensions or benefits plan, a social security scheme, an individual, a government department or agency, a group, etc.

Exposures – The nature and extent to which an entity is exposed to areas of uncertainty (e.g. increases in reserves, gains and losses, liquidity events, reputation, etc.).

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.

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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.

ORSA – The own risk and solvency assessment as meant by Article 45 of the Solvency II Directive for entities that are undertakings, and as meant by Article 246 paragraph 4 of the Solvency II Directive for entities to which the Solvency II Directive group supervision requirements apply.

ORSA cycle – The entirety of tasks to be performed regularly for the ORSA process.

ORSA process – The framework of activities an entity has put in place in order to satisfy the requirements of Article 45 and/or Article 246 paragraph 4 of the Solvency II Directive.

ORSA run – Those parts of the ORSA cycle that consist of making the risk assessment, setting the assumptions, running the models and drawing the conclusions from the results.

ORSA-triggering event – A material change in the nature of the uncertainties or exposures thereto, or in the understanding of those uncertainties or exposures.

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.

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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).

Uncertainties – Things which happen in the larger world (e.g. movements in the equity markets, lapses, policyholder behaviour, natural catastrophes, accidents etc.) or within the entity itself (e.g. operational or control issues) which are commonly referred to as "risks"; uncertainties can also arise as a consequence of incomplete understanding of such things, leaving open the possibility that risk assessments and models may prove inadequate in due course.

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](#).

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