



AMERICAN ACADEMY *of* ACTUARIES

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

Current Estimates

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 Practice Guideline is intended to be educational rather than prescriptive. Nevertheless, the level of guidance contained in it is often more appropriate to an actuarial training document than a Practice Guideline.
- 2) The language in the scope should be consistent among Practice Guidelines in this grouping. It is not, currently.
- 3) The Background section is really about the definition of the different kinds of assumptions. It should probably be renamed to reflect this.
- 4) Section 4.1.3 is difficult to understand and would benefit from an example.
- 5) It's not clear whether Section 4.2.2 allows discount rates assuming reversion to the mean or not. If not, this is a very important point to be clear about.
- 6) Section 4.2.2 also does not discuss whether discount rates should be "risk-free" or not. It should indicate that "risk-free" is not needed.
- 7) It's not clear why Section 4.3.1 is needed. It says the practitioner should consider the following paragraphs (why else are they there?) and that mortality and morbidity are usually not important in investment contracts (part of the definition).

Attached is a red-lined version of the Practice Guideline document that contains these comments as well as other suggested wording 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.