



Date: 28 November 2011

ACTUARIAL SOCIETY
of
H O N G K O N G
香 港 精 算 學 會

To: Interim Actuarial Standards Subcommittee of the Executive Committee of the IAA

From: Actuarial Society of Hong Kong

Re: International Standard of Actuarial Practice 1 – General Actuarial Practice

The Actuarial Society of Hong Kong ("ASHK") is pleased to submit comments on the Exposure Draft of International Standard of Actuarial Practice 1, *General Actuarial Practice* (the "ED").

We support the IAA's initiative to develop International Standards of Actuarial Practice and we commend the efforts of the Interim Actuarial Standards Subcommittee in developing the current ED. The standard is very generic and attempts to cover virtually all work performed by actuaries. We believe that drafting such a standard is an extremely challenging task.

In general we believe the ED would establish reasonable requirements for actuaries who work in a consulting capacity for a client or principal, but would impose some unreasonable burdens of actuaries working in a company environment ("employed actuaries" in the terminology of the ED). Our specific comments are as follows:

- We believe the definition of "report" is too broad. It is defined as "an actuary's communication presenting the results of professional services." "Communication", in turn, is defined as "an *oral* or written statement issued by an actuary with respect to professional services." (emphasis added). This would seem to make every statement an actuary makes regarding his or her work product a "report" and therefore subject to the requirements of the ED. We feel this is too broad a definition. It would create an unreasonable burden on the actuary.
- We believe that the application of the ED to employed actuaries is unclear in certain instances and unworkable in others. For example, Section 3.1 imposes requirements on accepting "engagements". An employed actuary usually has no choice about accepting any particular "engagement". His or her work responsibilities are sometimes spelled out in a job description, but specific "engagements" usually result from requests by a superior in which the actuary has little or no say.
- We note that the term "engagement" is not defined. We feel it should be.
- The term "qualified" as used in Section 3.1.1b should be defined

- Section 3.2, which relates to the application of Sections 3.4 – 4.2 to employed actuaries is unclear.
- Section 3.8.1 requires the actuary to assess whether the assumption set is reasonable in the aggregate. We believe that assumptions should be evaluated in light of the purpose for which they are being used. There is no discussion in this section of the context in which the assumptions are used. Furthermore, certain assumptions, for example future sales in an actuarial appraisal, may be outside the scope of the actuary's expertise. Additionally, in certain circumstances, the setting of assumptions may be outside the scope of the engagement, for example when the principal, rather than the actuary sets the assumptions. Provided there is sufficient disclosure, this may be acceptable in the context of the specific circumstances of the engagement.

Thank you for the opportunity to comment.

Yours sincerely,

Actuarial Society of Hong Kong

cc: Council of ASHK