

## Glossary for terms used cross Practice Areas

(Terms applicable to specific practice areas are defined within the relevant guidance note)

**Accepted Actuarial Practice** – A practice or practices that are generally recognized within the actuarial profession as appropriate to use in performing actuarial services within the scope of applicable professional standards of practice.

**Actuarial Services** – Services based upon actuarial methods/curriculum provided to intended users that may include the rendering of advice, recommendations, findings, or opinions.

**Actuary** – A Fellow or Associate member of ASSA as defined in the Code of Professional Conduct, or a member of another recognised actuarial association to whom this APN applies.

**ALM** - Asset-Liability Management.

**Anti-selection**– The tendency to exercise choices or options to the detriment of another party when it is to one's advantage to do so whether at outset or over time.

**APN** – Advisory Practice Note. APNs provide advice to members to guide them in their relevant area of practice. Failure to comply with an APN will not in itself constitute grounds for complaint under the disciplinary procedures. However, the Committee investigating an allegation of unprofessional conduct will take into account the extent to which a member complied with an APN in this category. It is recommended that any departure from an APN be disclosed.

**ASSA** - Actuarial Society of South Africa.

**Best Estimate** - Traditionally considered as the resulting estimate when applying the member selected methodology (or model) using the member selected valuation basis. Formally defined within Solvency Assessment and Management regulatory regime as probability weighted-average of an insurer's future cashflows stemming from its insurance business, taking into account the time value of money and all possible scenarios of future potential outcomes.

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

**Credible Data** - When data is worthy of confidence due to its applicability, validity or volume.

**Data** – Facts often collected from records, experience, or observations. Data are usually quantitative but may be qualitative. Examples of data include membership or policyholder details, claims details, asset and investment details, operating expenses, benefit definitions, and policy terms and conditions. Assumptions are not data, but data are commonly used in the development of actuarial assumptions.

**Financial Sector Conduct Authority** - Means the authority established in terms of the Financial Sector Regulation Act (9 of 2017).

**IAA** – The International Actuarial Association.

**International Financial Reporting Standards (IFRSs)** – As defined by the IASB in paragraph 7 of IAS 1 Presentation of Financial Statements, as amended in June 2011, by Presentation of Items of Other Comprehensive Income (Amendments to IAS 1): “Standards and Interpretations issued by the International Accounting Standards Board (IASB). They comprise:

International Financial Reporting Standards;

International Accounting Standards; and

[International Financial Reporting Interpretations Committee] IFRIC Interpretations; and

[the former Standing Interpretations Committee] SIC Interpretations.”

**IN** – Information Note. An Information Note (IN) is an educational document that provides information on current or emerging practices in relation to a practice area. It is not intended to prescribe requirements or provide formal actuarial guidance. It serves to familiarise actuaries with approaches that might be taken and to demonstrate how the actuarial profession might approach the topic.

An Information Note does not impose any obligation on any actuary to promote or apply the practices described. It is not a definitive statement as to what constitutes generally accepted practice in the area under discussion and the language used is not directive.

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

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

**Materiality criteria** - The methods, procedures or rules used to assess materiality.

**Member of the Actuarial Society of South Africa** - Includes Student, Associate and Fellow members of the Actuarial Society of South Africa.

**Model** – A simplified representation of relationships among organizations or events using statistical, financial, economic, or mathematical concepts. A model has a specification, uses assumptions, data, and methodologies to produce results that are intended to provide useful information on that system.

**Model Governance** – The application of a set of procedures and an organizational 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 upon 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 Judgment** – The judgment of the actuary based on actuarial training and experience.

**Prudential Authority** - Means the authority established in terms of the Financial Sector Regulation Act (9 of 2017).

**Public Interest** - Benefiting the general public or a large class of persons. Not something which only benefits one person or a small number of people at the expense of the general public.

**Reasonable Benefit Expectations** - The reasonable expectations of policyholders regarding future premiums, charges and benefits, based on the Insurer's marketing literature, communications to the policyholder and initial sales representations.

**Report** – The actuary's communication(s) presenting some or all of the output of actuarial services to an intended user, including any results, advice, recommendations, findings and opinions in any recorded form, including paper, word processing or spreadsheet files, e-mail, website(s), slide presentations, and audio or video recordings.

**Reverse Stress Test** – A process for identifying events or scenarios that would lead to a predetermined adverse outcome for an organization.

**Risk** - The uncertainty of future outcomes in relation to that expected. In particular, an increased uncertainty is interpreted to imply more risk.

**SAP** – Standard of Actuarial Practice. SAPs are standards that all members must adhere to. A material breach of the SAP will in itself be ground for a complaint under the disciplinary procedures and will amount to strong prima facie evidence of unprofessional conduct. A member choosing to depart from a strict interpretation of a SAP is strongly advised to disclose and justify any such departure in his report.

**Sensitivity Analyses** - Assessing the change in result when varying the inputs to a model or calculation.

**Scenario Test** – A process for assessing the impact of one possible event or several simultaneously or sequentially occurring possible events on an organization's financial position.

**Valuation Date** – The effective date of the analysis by the actuary. It usually precedes the report date.

**Valuation Model** - All the methods, procedures and calculations used in an actuarial valuation.

**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.