

Information Note: Overview of Professional Guidance and Standards for members of ASSA working in Non-Life Insurance

Classification

This document is classified as an Information Note (IN). An 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 *members* 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 *member* 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.

Background

The purpose of this note is to assist *members* of ASSA in discharging their professional responsibilities in relation to non-life insurance, by providing an overview of the relevant actuarial professional standards and guidance. Any *member* using this note has the responsibility to ensure that no new APNs, SAPs or guidelines have been published since the publication of this note.

The primary professional authority is ASSA. Where ASSA does not provide specific guidance notes or standards of practice, reference is also made to guidance/standards published by other professional bodies. It is also possible that there is not a specific ASSA guidance note for non-life, but there is a life guidance note that deals with the same issue. It is recommended that the *member* consults the life guidance note in this instance.

This note applies to *members* of ASSA who are involved in work related to non-life insurance. This includes but is not limited to the following aspects of non-life insurance:

- Actuarial reserving;
- Actuarial pricing;
- Calculation of capital requirements and solvency;
- Other actuarial modelling e.g., internal models;
- Actuarial reports;
- Data collection and analysis; or
- Provision of actuarial opinions (for example, as the Head of the Actuarial Control Function).

While this note is primarily intended for application to work performed within South Africa, *members* of ASSA may use this as a guideline for work performed in other jurisdictions. In jurisdictions outside South Africa, the *member* should first comply with local regulations, professional actuarial and accounting guidelines or standards where relevant.

Disclaimer

Whilst the Actuarial Society of South Africa (ASSA) takes all reasonable efforts to ensure that the content of this IN is correct and aligned with legislation applicable as at the date of drafting and

publishing under the governing laws of the Republic of South Africa, this IN is given as information to *members* of ASSA purely to assist with the subject matter covered in the IN.

ASSA does not warrant that this IN deals with every aspect relating to the subject matter and it does not constitute legal or financial advice. Accordingly, ASSA shall have no liability to any *members*, associates and/or any third party for any claim of any nature whatsoever which may arise out of the use of and/or reliance on the contents of this IN. *Members*, associates and/or any third parties hereby waive any rights to any claim of any nature whatsoever which may arise out of the use of and/or reliance on this IN, and further indemnify ASSA and hold it harmless against any claim of any nature whatsoever. The responsibility will be on *members* to keep abreast of legislative developments, related guidance issued by regulators and any case law relevant to the subject matter. If there is any conflict between the contents of this IN and the aforementioned legislative developments, related guidance issued by regulators and any relevant case law, the guidance issued by regulators and any relevant case law shall prevail and *members* should obtain independent legal advice on how the legislative developments impact the contents of this IN.

Author

The Professional Guidance Sub-Committee of the ASSA Short Term Insurance Committee.

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1. Introduction

To date, the only ASSA guidance notes relating specifically to non-life insurance is APN 401 – *Establishing technical provisions for short-term insurers*, APN 403 – *Head of Actuarial Function for South African insurers*, APN 404 – *Head of Actuarial Function for South African Insurance Groups* and APN 405 – *IFRS 17 Insurance Contracts*. Further to these APNs, members of ASSA practicing in non-life insurance have traditionally referred to international actuarial guidelines, including actuarial guidance from the United Kingdom.

This note has been constructed in order to provide a more formal framework for non-life members when determining the appropriate guidelines to consider. It should be noted that most of the guidelines mentioned are not specific to non-life insurance only. This note also provides broad context in terms of relevant regulatory and accounting requirements.

2. Definitions

<i>Act</i>	Insurance Act (18 of 2017), including relevant amendments, Prudential Standards, regulations, <i>Prudential Authority</i> directives and guidance notes.
<i>APN</i>	Advisory Practice Note.
<i>ASSA</i>	Actuarial Society of South Africa.
<i>Head of Actuarial Function</i>	A Fellow of ASSA appointed by an <i>insurer</i> in terms of the <i>Act</i> as the <i>Head of the Actuarial Control</i> function.
<i>IASB</i>	International accounting standards board.
<i>IFRS 17</i>	International Financial Reporting Standards for insurance contracts.
<i>Insurer</i>	The insurance company (including mutual societies) writing life or non-life insurance business (as defined in the <i>Act</i>).
<i>Member or members</i>	A member of ASSA as defined in the Code of Professional Conduct, or a member of another recognized actuarial association to whom this information note applies.
<i>Prudential Authority</i>	The authority established in terms of the Financial Sector Regulation Act (9 of 2017).
<i>SAP</i>	Standards of Practice
<i>Technical Provisions</i>	Insurance liabilities as determined in terms of the <i>Act</i> .

3. Standards of Actuarial Practice (SAP) versus Advisory Practice Notes (APN)

SAPs are standards that all *members* of ASSA must adhere to. A material breach of a SAP will in itself be grounds 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/her report.

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.

Where a *member* of ASSA also holds a membership of more than one actuarial professional body, he/she is required to follow all the relevant sets of guidance and standards.

4. Overview of actuarial, regulatory and accounting standards

This paragraph provides a broad overview of the SAPs as well as APNs applicable to *members* working in non-life. This includes actuarial guidance/standards for ASSA, the UK Institute and Faculty of Actuaries and the UK Board for actuarial standards. It also lists current relevant guidance and educational notes on IFRS 17. Whenever it is not clear which standard or guidelines to follow, the *member* should consult ASSA.

For each professional standard, a brief summary is provided below outlining the basic content covered.

4.1. Actuarial Society of South Africa

ASSA CODE OF PROFESSIONAL CONDUCT

This Code explains both the principles of professional conduct and the specific requirements for professional conduct. It conforms to the overarching structure of ASSA's professional governance framework, comprising technical, normative and organizational elements.

APN 901: GENERAL ACTUARIAL PRACTICE

This APN provides guidance to *members* when performing actuarial services to give intended users confidence that:

- Actuarial services are carried out professionally and with due care;
- The results are relevant to their needs, are presented clearly and understandably, and are complete; and
- The assumptions and methodology (including, but not limited to, models and modelling techniques) used are disclosed properly.

APN 904: MARKET CONDUCT

The purpose of this APN is to provide guidance to affected *members* in discharging their duties with regard to market conduct. Regulators are placing increasing emphasis on the need for and importance of financial institutions to promote positive outcomes for their customers. This APN is of

particular relevance to *members* who are involved in any stage of the “product lifecycle”: that is product design, development, pricing (including remuneration in respect of sales and ongoing services), marketing and distribution strategy, review and sign-off, and post-sale servicing.

APN 401: VALUATION AND CALCULATION OF TECHNICAL PROVISIONS USING NON-LIFE INSURANCE VALUATION PRINCIPLES

This Advisory Practice Note provides guidance for *members* in the valuation of *technical provisions* for non-life *insurers* as well as non-insurance entities that use non-life insurance valuation principles to value *technical provisions*.

APN 106 / 403: HEAD OF ACTUARIAL FUNCTION FOR SOUTH AFRICAN INSURERS

This Advisory Practice Note provides guidance for *Heads of Actuarial Function*, including *members* who support or review this function or who act in a similar capacity, of South African life and non-life *insurers*.

APN 111 / 404: HEAD OF ACTUARIAL FUNCTION FOR SOUTH AFRICAN INSURANCE GROUPS

This Advisory Practice Note provides guidance for *Head of Actuarial Function*, including *members* who support or review this function or who act in a similar capacity, of South African Insurance Groups (Group HAFs).

APN 108: ROLE OF THE INDEPENDENT ACTUARY IN THE TRANSFER, FUNDAMENTAL TRANSACTION, OR CHANGE OF INSTITUTIONAL FORM OF THE LIFE INSURANCE BUSINESS OF A LICENSED LIFE INSURER.

The purpose of this APN is to advise a *member* appointed by the *Prudential Authority* to assess a transaction under section 50 of the Insurance Act. The APN describes the professional responsibility such an appointment entail. Although the APN has been written by the Life Assurance Committee, it is 100% applicable to *members* working in non-life.

APN 112 / 405: IFRS 17 INSURANCE CONTRACTS

This APN provides guidance to *members* when performing actuarial services in connection with *IFRS 17*. It is based on IAN 100 and its purpose is to increase intended users' confidence that:

- Actuarial services are carried out professionally and with care;
- The results are relevant to their needs, are presented clearly and understandably, and are complete; and
- The assumptions and methodology (including models and modelling techniques used) are disclosed properly.

4.2. United Kingdom Financial Reporting Council: Board of Actuarial Standards (FCR: BAS)

TAS 100: PRINCIPLES FOR TECHNICAL ACTUARIAL WORK

This Technical Actuarial Standard promotes high quality technical actuarial work. TAS 100 is applicable to technical actuarial work done in the UK operations of entities, as well as to any overseas operations which report into the UK, within the context of UK law or regulation and is applicable to technical actuarial work performed by a user:

- where the use of principles and/or techniques of actuarial science is central to the work and which involved the exercise of judgement, or
- which the user may reasonably regard as technical actuarial work by virtue of the manner of its presentation.

TAS 200: INSURANCE

This Technical Actuarial Standard promotes high quality technical actuarial work in insurance on matters where there is a high degree of risk to the public interest. TAS 200 is applicable to technical actuarial work done in the UK operations of entities, as well as to any overseas operations which report into the UK, within the context of UK law or regulation and is applicable to the following areas of technical actuarial work:

- Prudential regulatory balance sheets;
- Financial statements;
- General Insurance Business written by Lloyd's Syndicates; and
- General Insurance Tax.

4.3. United Kingdom Institute and Faculty of Actuaries (IFoA)

ACTUARIES CODE

The Code consists of principles which IFoA members are expected to observe in the public interest and in order to build and promote confidence in the work of actuaries and in the actuarial profession.

ACTUARIAL PROFESSIONAL STANDARDS

Below is a list of all Actuarial Professional Standards (APSs) which apply to all IFoA members regardless of location (Pensions and Life Insurance related standards have been excluded):

APS Title	APS Description
APS G1	The Chief Actuary in non-life Insurance
APS QA1	Quality Assurance Scheme for Organisations
APS X2	Review of Actuarial Work
APS X3	The Actuary as an Expert in Legal Proceedings
APS G2	Actuarial Reporting for Lloyd's Syndicates Writing US Business

APS X1: APPLYING STANDARDS TO ACTUARIAL WORK

This Standard sets out the requirements that are applicable to IFoA members carrying out actuarial work in the UK and any other country. It sets out a clear structure within which to assess the actuarial standards which are relevant to a particular piece of work.

5. International Financial Reporting Standards

In June 2020, the IASB published the final IFRS standard, Insurance Contracts. The implementation date will be fiscal years beginning on or after 1 January 2023. For the most current information please see the IASB website. Note that an eIFRS professional account is required to access the final standards and related documents.

Other standards also important for *members* to note are IFRS 9 (Financial Instruments) and IFRS 15 (revenue from contracts with customers). IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items while IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer.

5.1. The International Actuarial Association (IAA)

The International Actuarial Association (IAA) released International Standard of Actuarial Practice (ISAP 4) on *IFRS 17 Insurance Contracts* in November 2019. ISAP 4 covers actuarial practice in support of the valuation of insurance contract liabilities in accordance with *IFRS 17*. In 2021, the IAA published the final version of an International Actuarial Note (IAN 100) ([IAN 100 : Application of IFRS 17 Insurance Contracts \(actuaries.org\)](#)).

5.2. The South African Institute of Chartered Accountants (SAICA)

SAICA have made two papers available on their website:

[Policyholder-taxes.pdf \(windows.net\)](#)

[Discussion-Paper-Cash-back-products.pdf \(windows.net\)](#)

More papers will be made available on the SAICA website when these are ready.

The SAICA papers capture a summary of views expressed during the IFRS 17 Working Group meetings. The papers are intended to assist in considerations when implementing the *IFRS 17 Insurance Contract Standard*. These papers act purely as guidance to SAICA members to assist them with particular problems relating to the subject matter of the educational material.

5.3. The Canadian Institute of Actuaries (CIA)

The CIA published additional guidance to their members in the form of educational notes and reports. Below is a list of the educational list that might assist *members* responsible for the valuation of insurance contracts.

- [Educational Note – 2022 Guidance to the Appointed Actuary and Valuation Actuaries for Property and Casualty Insurers \(cia-ica.ca\)](#) (September 2022). Provides an overview of all guidance material, including *IFRS 17*.
- Application of *IFRS 17 Insurance Contracts* ([221117e.pdf \(cia-ica.ca\)](#)) (January 2020) (Review of IAN 100)
- Educational Note: [Assessing Eligibility for the Premium Allocation Approach under IFRS 17 for Property & Casualty and Life & Health Insurance Contracts](#) (June 2022)
- [Educational Note: IFRS 17 – Actuarial Considerations Related to Liability for Remaining Coverage in P&C Insurance Contracts \(cia-ica.ca\)](#) (June 2022)
- [Educational Note: IFRS 17 Risk Adjustment for Non-Financial Risk for Property and Casualty Insurance Contracts \(cia-ica.ca\)](#) (June 2022)
- [Revised Educational Note: IFRS 17 Discount Rates and Cash Flow Considerations for Property and Casualty Insurance Contracts \(cia-ica.ca\)](#) (June 2022)
- [Explanatory Report: IFRS 17 Expenses \(cia-ica.ca\)](#) (June 2022)
- [Explanatory Report: IFRS 17 Assets for Acquisition Cash Flows \(cia-ica.ca\)](#) (June 2022)
- [Educational Note: IFRS 17 – Actuarial Considerations Related to Reinsurance Contracts Issued and Held \(cia-ica.ca\)](#) (September 2022)

These papers are available on the Canadian Institute of Actuaries website (<https://www.cia-ica.ca/publications>).

5.4. United Kingdom Institute and Faculty of Actuaries (IFoA)

The IFoA website has an information page on IFRS (<https://actuaries.org.uk/learn/lifelong-learning/ifrs-17/>) with links to various useful resources. The IFoA material is relevant to *IFRS 17* work performed for both life and non-life *insurers*.