

**Actuarial financial reporting paper:  
example considerations for actuarial reporting in respect of  
(re)insurance financial statements**

**Financial Reporting Working Group**

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## 1. Introduction

The financial statements of (re)insurance undertakings or holding companies can include a number of balances (e.g. (re)insurance liabilities and assets, intangible assets and liabilities, CSM) where an actuary may be involved in their calculation, review and/or documentation.

The extent of involvement, if any, by the actuary (hereafter referred to as a “Reporting Actuary”) in the reporting of such balances in the financial statements will depend on the particular circumstances (e.g. the agreed actuarial scope, the financial statement accounting basis, the nature of the business written).

Where an actuary is involved in the reporting of such balances in the financial statements, the actuary may produce a report on their work. There is currently no legislative or regulatory requirement in Ireland for an actuary to produce a report in relation to their work in respect of financial statements.

Members of the Society of Actuaries in Ireland ("SAI") are obliged to comply with ASP PA-2 (General Actuarial Practice)<sup>1</sup> and ASP GI-1 (General Insurance Business – Actuarial reports)<sup>2</sup>.

The International Actuarial Association has published IAN 100<sup>3</sup> (Application of IFRS 17 Insurance Contracts) and ISAP 4<sup>4</sup> (IFRS 17 Insurance Contracts) which are non-binding for members of the SAI.

## 2. Purpose of this paper

A working party of the SAI was asked to consider what, if any, areas an actuary may wish to consider including in such a report in respect of (re)insurance financial statements, if applicable. (This paper excludes consideration of balances relating to pension scheme obligations.)

This paper lists a number of example areas for potential consideration in producing such a report (hereafter referred to as a “Reporting Actuary Report” or “the Report”).

This document has been expanded to include considerations for financial statements prepared in accordance with IFRS 17 and considerations for life and non-life specialists.

## 3. Use of this paper

The list of areas for potential consideration suggested below is neither intended to be wholly complete nor to form a minimum or maximum set of areas that an actuary may consider in the Report. In particular, it is not expected that all areas would necessarily apply to a single (re)insurance company. The list is provided only for educational purposes.

There are likely to be exceptions and circumstances where many, but not all, of the areas below are appropriate for individual companies to consider. There may also be circumstances where areas beyond those listed below would be appropriate to consider.

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<sup>1</sup> <https://web.actuaries.ie/standards/asp/asp-pa-2>

<sup>2</sup> <https://web.actuaries.ie/standards/asp/asp-pa-1>

<sup>3</sup> [https://www.actuaries.org/IAA/Documents/Publications/IANs/IAA\\_IAN100\\_31August2021.pdf](https://www.actuaries.org/IAA/Documents/Publications/IANs/IAA_IAN100_31August2021.pdf)

<sup>4</sup> [https://www.actuaries.org/IAA/Documents/CTTEES\\_ASC/Final\\_ISAPs\\_Posted/IAA\\_ISAP4\\_ApprovedFinal\\_21Nov2019.pdf](https://www.actuaries.org/IAA/Documents/CTTEES_ASC/Final_ISAPs_Posted/IAA_ISAP4_ApprovedFinal_21Nov2019.pdf)

## 4. Possible areas for consideration in a Reporting Actuary Report

In many cases, it may be appropriate to cross-reference to other documentation, e.g. reports produced for Solvency II such as the ARTPs.

Each area listed below includes some examples for consideration. In particular, example considerations below are not intended to be a checklist in respect of each area.

### 4.1 General considerations for the report, governance and controls

| #  | Possible area           | Example considerations  |
|----|-------------------------|---|
| 1. | General                 | <p>The Reporting Actuary should consider the guidance set out in ASP PA-2 (General Actuarial Practice) and ASP GI-1 (General insurance business – actuarial reports).</p> <ul style="list-style-type: none"> <li>• Table of contents and page numbers</li> <li>• Who the report is addressed to / anticipated users of the report</li> <li>• Responsibilities of the Board</li> <li>• Scope of the Reporting Actuary’s work</li> <li>• Other team members involved in the production of the report</li> <li>• Executive summary</li> <li>• Simplifications and approximations</li> <li>• Material thresholds</li> <li>• Data quality</li> <li>• Reliances and limitations</li> <li>• Assumptions and methodology</li> <li>• Recommendations</li> <li>• Conclusions</li> <li>• Subsequent events</li> <li>• Glossary</li> <li>• Version control, history</li> <li>• Appendices, e.g. <ul style="list-style-type: none"> <li>○ Summary descriptions of products and of reinsurance</li> <li>○ Status of previous recommendations</li> <li>○ Statement relating to compliance with any relevant ASP’s</li> <li>○ Table of compliance with ISAP 4 / relevant ESAP</li> <li>○ Data sources</li> </ul> </li> <li>• Cross references to other documents for relevant content which is not repeated in this report (e.g. to ARTPs)</li> </ul> |
| 2. | Governance and controls | <ul style="list-style-type: none"> <li>• Key risks and corresponding controls</li> <li>• Review and sign-off process and application</li> </ul>   |

## 4.2 Context / background / scope of the Reporting Actuary

| #  | Possible area  | Example considerations   |
|----|--|--|
| 1. | Nature of financial statements                                     | <ul style="list-style-type: none"> <li>• Whether:               <ul style="list-style-type: none"> <li>○ entity financial statements (e.g. “local” FS),</li> <li>○ supporting reporting to a parent (e.g. “group reporting), or</li> <li>○ consolidated financial statements (e.g. line-by-line consolidation for holding company)</li> </ul> </li> </ul>  |
| 2. | Financial statement accounting basis                               | <ul style="list-style-type: none"> <li>• IFRS, FRS 102, FRS 103, US GAAP, Canadian GAAP etc</li> <li>• Whether it has changed in the period</li> <li>• Any applicable local regulations, e.g. 2015 Insurance Accounts regulations (as amended in 2016)</li> </ul>  |
| 3. | Accounting policies for insurance and with-DPF classified policies | <ul style="list-style-type: none"> <li>• Modified Solvency I, modified Solvency II, US GAAP, Canadian GAAP, MCEV</li> <li>• Measurement models (IFRS17)</li> <li>• Applicable sections of other IFRSs (e.g. IFRS 13 when measuring Fair Value)</li> <li>• Whether it has changed in the period</li> </ul>  |
| 4. | Balances (or “line items”) in scope of the report                  | <ul style="list-style-type: none"> <li>• (Re)insurance liabilities and assets, deferred acquisition costs asset, deferred income liability, deferred tax asset recoverability, withholding tax asset, risk adjustment, contractual service margin.</li> <li>• Any note disclosures in scope</li> </ul>   |
| 5. | Materiality  | <ul style="list-style-type: none"> <li>• Nominal amount(s), how they have been determined</li> <li>• Guidance received from the entity regarding materiality</li> </ul>  |
| 6. | Overview of the undertaking in scope                               | <ul style="list-style-type: none"> <li>• Nature of business written (e.g. classes, products, geographical location of risk, whether sold on FOS or FOE basis for each country)</li> <li>• The business environment in which the entity operates</li> <li>• Whether open or closed to new business (and when closed)</li> <li>• The entity's appetite for risk.</li> <li>• When started writing business</li> <li>• Reporting currency and material currency exposures</li> <li>• How law affects the reporting of financial statements</li> <li>• Relevant auditing standards</li> </ul> |
| 7. | Overview of key relevant developments in the reporting period      | <ul style="list-style-type: none"> <li>• New (or changes to existing) products and reinsurance</li> <li>• Closure to new business</li> <li>• Acquisitions, portfolio transfers</li> <li>• Change in ownership</li> <li>• Changes in outsourcing, systems, resourcing, processes</li> <li>• Changes in accounting / regulatory requirements or policies</li> <li>• Changes in the operating / business environment</li> </ul>   |

### 4.3 Identification, classification, unbundling, embedded derivatives, service contracts, level of aggregation

| #  | Possible area   | Example considerations   |
|----|---|--|
| 1. | Classification of contracts (i.e. under IFRS 17 / FRS 103) between investment w/o DPF, insurance w/o DPF, insurance with DPF, investment with DPF and for reinsurance | <ul style="list-style-type: none"> <li>• Summary of exposure to each classification of contract</li> <li>• How the contract meets the criteria for significant insurance risk transfer</li> <li>• Reference to documentation of application of contract classification, e.g. document with contract/product level classification, conclusion and supporting rationale</li> </ul> |
| 2. | Separation of non-insurance components  | <ul style="list-style-type: none"> <li>• Whether required (and why) or applied as an option</li> <li>• Where applied, e.g. which blocks of business</li> <li>• Approach to hybrid UL UWP policies</li> <li>• Accounting treatment of components separated from the host contract</li> </ul>  |
| 3. | Embedded derivatives (EDs)  | <ul style="list-style-type: none"> <li>• Nature of any embedded derivatives in the actuarial liabilities, e.g. type of ED, classification of host contract (e.g. insurance non-DPF)</li> <li>• Whether any embedded derivatives required separation and fair valuation</li> </ul>  |
| 4. | Level of aggregation  | <ul style="list-style-type: none"> <li>• Criteria for determining which contracts should be grouped together for measurement, including assessment of similar risks and which contracts are managed together.</li> <li>• IFRS 17 unit of account, including cohort grouping and profitability groupings and how determined</li> </ul>  |
| 5. | Recognition, derecognition and modification   | <ul style="list-style-type: none"> <li>• Groups of contracts that have been recognised, modified or derecognised during the period</li> </ul>  |

#### 4.4 Reserving methodology, models, data, assumptions, reinsurance

| #  | Possible area                    | Example considerations   |
|----|----------------------------------|--|
| 1. | Investment (non-DPF) methodology | <ul style="list-style-type: none"> <li>• Approach to accounting for deposit component vs investment management services component</li> <li>• Unit reserves valuation (e.g. bid value of units)</li> <li>• Approach to actuarial funding</li> <li>• Reserving changes in the period</li> </ul>  |
| 2. | Insurance methodology            | <ul style="list-style-type: none"> <li>• Methodologies used (e.g. discounted cashflow, chain ladder, Rule of 78, etc)</li> <li>• IFRS 17 measurement model used (GMM / PAA / VFA), if applicable</li> <li>• Unit reserves valuation (e.g. bid value of units)</li> <li>• Contract boundaries and how determined</li> <li>• Reserving methodology changes in the period</li> </ul>  |
| 3. | Models                           | <ul style="list-style-type: none"> <li>• Key models used</li> <li>• Modelling changes in the period</li> <li>• Projection period</li> <li>• Results of model governance, e.g. “baselining” (independent testing), change control</li> <li>• Model governance</li> <li>• Model limitations</li> </ul>   |
| 4. | Data                             | <ul style="list-style-type: none"> <li>• Key types of data used (e.g. policyholder data)</li> <li>• Sources (e.g. internal sources, external sources)</li> <li>• Data used for assumption setting</li> <li>• Changes in data in the period</li> <li>• Completeness and accuracy of the data</li> <li>• Extent of data cleansing required</li> <li>• Checks and controls performed</li> <li>• Data governance</li> <li>• Data limitations</li> <li>• Characteristics of the insurance contract and including the risks being insured</li> <li>• Characteristics of the policyholder and the way the contract was sold</li> </ul>  |
| 5. | Assumptions                      | <ul style="list-style-type: none"> <li>• Whether best estimate</li> <li>• Adjustments to best estimate (e.g. PADs, Risk Adjustment)</li> <li>• Differences between bases (e.g., Solvency II, IFRS17)</li> <li>• Appropriateness of assumptions</li> <li>• Consideration of uncertainties in assumption setting</li> <li>• Expert judgements involved in assumption setting</li> <li>• Effect of discontinuities in experience on assumption setting</li> <li>• Whether the assumption set is reasonable in the aggregate</li> <li>• Alternative assumptions and sensitivity testing</li> <li>• Internal consistency of assumptions</li> <li>• Consideration or otherwise of entity specific assumptions (including whether entity specific data has been used to set assumptions)</li> <li>• Material basis changes over the period</li> <li>• Process for updating assumptions</li> </ul> |

| #  | Possible area         | Example considerations   |
|----|-----------------------|--|
| 6. | IFRS17 specific items | <ul style="list-style-type: none"> <li>• Discounting <ul style="list-style-type: none"> <li>○ Derivation approach for discount rate (top-down, bottom-up)</li> <li>○ Data sources</li> <li>○ Sensitivities to changes in discount rates</li> <li>○ Allowance for illiquidity of insurance assets and liabilities</li> </ul> </li> <li>• Risk adjustment <ul style="list-style-type: none"> <li>○ Understanding financial risk of the entity</li> <li>○ Calculation methodology</li> <li>○ Allowance for diversification</li> <li>○ Confidence interval disclosure</li> <li>○ Allowance for ceded risk adjustment</li> </ul> </li> <li>• PAA eligibility testing</li> </ul> |
| 7. | Reinsurance held      | <ul style="list-style-type: none"> <li>• Type of reinsurance, e.g. quota share, XoL</li> <li>• Treaties open / closed to new business</li> <li>• Changes in the period</li> <li>• How modelled (e.g. vs underlying)</li> <li>• Approach to haircut (of a reinsurance asset) for counterparty risk</li> <li>• Impairment testing of a reinsurance asset</li> <li>• Split by counterparty / counterparty rating</li> <li>• When multiple reinsurance arrangements are in effect, consider the order in which they apply</li> <li>• Impact of reinstatements following claims</li> </ul>  |



## 4.5 Reserving results and analysis

| #  | Possible area  | Example considerations  |
|----|--|---|
| 1. | Liability adequacy testing ("LAT")                     | <ul style="list-style-type: none"> <li>• How assessed, whether on a qualitative basis or a quantitative basis, e.g. by comparison of booked reserves (less related intangibles) in the financial statements against a best estimate</li> <li>• How the best estimate value (used in the comparison) was determined, e.g. whether based on Solvency II BEL and if any adjustments applied (e.g. inclusion of post-contract boundary VIF)</li> <li>• LAT results split by contract classification (see example table below)</li> <li>• Explanation of movement in LAT results in the period</li> </ul>  |
| 2. | Breakdown of reserves                                  | <ul style="list-style-type: none"> <li>• By sales source (e.g. product type, country/region, business unit)</li> <li>• By reserve type (e.g. UPR, AURR, IBN(E)R, ICOP, unit reserves, non-unit reserves for unit-linked business). For IFRS 17 financial statements this breakdown could include LIC and LRC (claims, expenses, risk adjustment, CSM, loss component, investment component)</li> <li>• By modelling source, e.g. modelling system vs out-of-model</li> <li>• By measurement model (GMM, VFA, PAA)</li> <li>• By insurance and reinsurance contracts</li> <li>• By new business (onerous / non-onerous contracts)</li> </ul> |
| 3. | Movement analysis                                      | <ul style="list-style-type: none"> <li>• Opening to closing analysis</li> <li>• How calculated, whether independent (approach to any unreconciled items)</li> <li>• Explanatory narrative (e.g. for each movement component)</li> <li>• Split by gross/net, product group, reserve type, measurement model, onerous/non-onerous contracts</li> <li>• Sense checks performed and results</li> </ul>  |
| 4. | Out-of-model items (e.g. manual reserves, adjustments) | <ul style="list-style-type: none"> <li>• Description (e.g. nature, why required)</li> <li>• Classification (e.g. investment, insurance)</li> <li>• How calculated (data, assumptions and methodology)</li> </ul>  |
| 5. | Reconciliations of reserves to other reporting basis   | <ul style="list-style-type: none"> <li>• Local vs group</li> <li>• FS to Solvency II</li> </ul>   |
| 6. | Sensitivities  | <ul style="list-style-type: none"> <li>• By product group</li> <li>• Gross vs net of reinsurance</li> </ul>   |
| 7. | Analysis of surplus                                    | <ul style="list-style-type: none"> <li>• Approximations / adjustments / limitations</li> <li>• Untraced tolerance levels</li> </ul>   |

## 4.6 Other items

| #  | Possible area  | Example considerations   |
|----|--|--|
| 1. | DAC, DIL, Assets for insurance acquisition cashflows   | <ul style="list-style-type: none"> <li>• Nature of costs and fees deferred and not deferred, and why</li> <li>• Amortisation period, how determined and if changes</li> <li>• Consistency of amortisation period with when services are provided</li> <li>• Approach to policy “offs” (such as surrender, maturity, death), i.e. whether write down DAC/DIL and consistency with amortisation period</li> <li>• Reconciliation of new deferred (before amortisation) to incurred in period</li> <li>• Approach to DAC recoverability, e.g. grouping level</li> <li>• Roll-forward from opening to closing (see example further below)</li> </ul> |
| 2. | Earnings   | <ul style="list-style-type: none"> <li>• CSM amortisation</li> <li>• Risk adjustment unwind</li> <li>• Interest accretion</li> <li>• Net Investment Result</li> </ul>  |
| 3. | Risks  | <ul style="list-style-type: none"> <li>• Nature and extent of risks from contracts in scope (e.g., credit risk, liquidity risk, market risk)</li> <li>• Changes in risk profile/concentration</li> </ul>   |
| 4. | Shadow accounting                                      | <ul style="list-style-type: none"> <li>• Where and how applied</li> </ul>  |
| 5. | Acquisition accounting and investments in subsidiaries | <ul style="list-style-type: none"> <li>• Description of acquisitions, accounting applicable (e.g. whether a business combination, whether under common control) and methodology applied</li> <li>• Goodwill, e.g. how determined, impairment testing</li> <li>• AVIF, e.g. how determined, amortisation, impairment testing</li> <li>• Investment in subsidiaries valuation approach</li> </ul>  |
| 6. | Contingent liabilities (FS note disclosure)            | <ul style="list-style-type: none"> <li>• How relates to policyholder liabilities, if applicable</li> </ul>   |
| 7. | Tax  | <ul style="list-style-type: none"> <li>• DTA recoverability approach and results</li> <li>• Withholding tax asset recoverability approach and results, e.g. recovery mechanism used (and sequence) for Italian withholding tax asset</li> <li>• Consistency of DTL with DAC / AVIF</li> </ul>  |

## 5. Appendices

### 5.1 Example checklist for ASP PA-2 General Actuarial Practice

The following table is one example, amongst others, of how an actuary may decide to assess compliance with ASP PA-2 v1.2. The table does not repeat the full text from ASP PA-2. Members should refer to the latest full version of ASP PA-2 in their own assessment of compliance.

**Principal:** The party who engages the member (or the member's firm, as the context requires) to provide actuarial services. The principal will usually be the client or the employer of the member.

| ASP Section Header   | ASP Sub-Section Header       | ASP Section                         | Issue  | Description   | Addressed | Location of evidence | Comments |
|--|------------------------------|-------------------------------------|--|---|-----------|----------------------|----------|
| 1. General   | 1.2 Scope                    | 1.2                                 | Scope  | Subject to the remaining provisions of this section 1.2, this ASP applies to all actuarial services performed by a member (regardless of whether or not such services could be performed by a person who has not completed actuarial education) unless a requirement herein is in conflict with law or is superseded by another ASP or relevant professional standard of practice or by law.  |           |                      |          |
|  | 1.3 Compliance               | 1.3                                 | Compliance   | Regarding any recorded communication relating to actuarial services that are completed, has the member disclosed any reason(s) for material deviation from obligations under this ASP? If the actuarial services are for the purposes of compliance with law, full disclosure is compulsory. Otherwise, the principle of proportionality and whether such disclosures would be inappropriate in the context of the particular assignment may be considered. |           |                      |          |
| 2. Appropriate Practices   | 2.1 Acceptance of Assignment | 2.1.1                               | Has the member confirmed with the principal:   | a) The role of the principal?   |           |                      |          |
|  |                              |                                     |  | b) Any limitations or constraints on the member?  |           |                      |          |
|  |                              |                                     |  | c) Any requirements that the member is required to satisfy?   |           |                      |          |
|  |                              |                                     |  | d) Identification of the schedule of work, the expected cost (as relevant to the circumstances, including whether the member is engaged rather than employed by the principal) and/or the resources needed?   |           |                      |          |
|  |                              |                                     |  | e) The information needed to be communicated to and by the member, especially if it is sensitive or confidential?   |           |                      |          |
|  | 2.1.2                        | Is the member:                      | a) Satisfied that the assignment can be performed in accordance with the Code of Professional Conduct, including the provisions of the Code relating to Competence and Care?   |   |           |                      |          |
| b) Satisfied that they will have the time, resources, access to relevant employees and other relevant parties, access to documentation and information, and the right to communicate information, as may be necessary for the work (unless exceptional circumstances apply)? |                              |                                     |  |   |           |                      |          |
| 2.2 Knowledge of Relevant Circumstances  | 2.2                          | Knowledge of Relevant Circumstances | Has the member obtained sufficient knowledge and understanding of the data and information available, including as appropriate the relevant history, processes, nature of the business operations, law, and business environment of the entity, to be appropriately prepared to perform the actuarial services required by the assignment? |   |           |                      |          |

The contents of this paper are not binding for members of the SAI and are intended only as a useful reference if preparing a report on financial statements.

| ASP Section Header     | ASP Sub-Section Header   | ASP Section   | Issue  | Description  | Addressed | Location of evidence | Comments |
|------------------------|--|---|--|--|-----------|----------------------|----------|
|                        | <b>2.3 Reliance on Others</b>  | 2.3.1   | If the member selects the party on whom to rely, the member should consider the following:   | a) The other party's qualifications  |           |                      |          |
|                        |  |   |  | b) The other party's competence, integrity and objectivity   |           |                      |          |
|                        |  |   |  | c) The other party's awareness of how the information is to be used  |           |                      |          |
|                        |  |   |  | d) Discussions and correspondence between the member and the other party regarding any facts known to the member that are likely to have a material effect upon the information used |           |                      |          |
|                        |  |   |  | e) The need to review the other part's supporting documentation  |           |                      |          |
|                        |  | 2.3.2   | If the member uses information prepared by another party without disclaiming responsibility for that information, the member:  | a) Should confirm that the use of that information conforms to accepted actuarial practice in the given jurisdiction   |           |                      |          |
|                        |  |   |  | b) Should establish appropriate procedures for the management and review of the information to be used.  |           |                      |          |
|                        |  |   |  | c) Is not required to disclose the source of the information   |           |                      |          |
|                        |  | 2.3.3   | If the member states reliance on the information prepared by another party and disclaims responsibility for it, the member should:   | a) Disclose that fact (including identifying the other party) in any recorded communication or other appropriate communication   |           |                      |          |
|                        |  |   |  | b) Disclose the nature and extent of such reliance   |           |                      |          |
|                        | c) Examine the information for evident shortcomings  |   |  |  |           |                      |          |
|                        | d) Review the information for reasonableness and consistency   |   |  |  |           |                      |          |
|                        | e) Report how the member took steps to determine whether it was appropriate to rely on the information |   |  |  |           |                      |          |
| 2.3.4                  | Reliance on Information Out of Irish Jurisdiction  | If any information was prepared by a party under a different jurisdiction, has the member considered any differences in the law or accepted actuarial practice between the two jurisdictions and how that might affect the member's use of the information? |  |  |           |                      |          |
| <b>2.4 Materiality</b> | 2.4.1  | When determining the threshold of materiality, did the member:  | Assess materiality from the point of view of the intended users - does the omission or under/overstatement affect the decision making or reasonable expectations of the intended user? |  |           |                      |          |
|                        | 2.4.2  | When determining the threshold of materiality, did the member:  | Consider the actuarial services and the entity that is the subject of those actuarial services?  |  |           |                      |          |
|                        | 2.4.3  | When determining the threshold of materiality, did the member:  | Consult with the principal if necessary?   |  |           |                      |          |

| ASP Section Header  | ASP Sub-Section Header | ASP Section   | Issue   | Description   | Addressed | Location of evidence | Comments |
|---|------------------------|---|---|---|-----------|----------------------|----------|
|   | 2.5 Data Quality       | 2.5.1   | Sufficient and Reliable Data  | Is data sufficient (all appropriate information included and/or any gaps insignificant) and reliable (materially accurate)?   |           |                      |          |
|   |                        | 2.5.2   | Validation: Has the member taken reasonable steps to review the consistency, completeness and accuracy of the data used. These <i>might include</i> :   | a) Undertaking reconciliations against audited financial statements, trial balances, or other relevant records (if available) |           |                      |          |
|   |                        |   |   | b) Testing the data for reasonableness against external or independent data?  |           |                      |          |
|   |                        |   |   | c) Testing the data for internal consistency  |           |                      |          |
|   |                        |   |   | d) Comparing the data to that for prior periods   |           |                      |          |
|   |                        |   | Has the member described this review in the recorded communication?   |   |           |                      |          |
|   | 2.5.3                  | Sources of Data for Entity-Specific Assumptions   | To the extent possible and appropriate when setting entity-specific assumption has the member considered using data specific to the entity? Where data specific to entity are not available, relevant, or credible, has the member described in the recorded communication any industry data, data from other comparable sources, population data, or other published data used, and also any adjustments made to that data?  |   |           |                      |          |
|   | 2.5.4                  | Data Modification   | The member should disclose any modification of data before its use (such as interpolation, extrapolation, adjustment or discarding of outliers) in the recorded communication.  |   |           |                      |          |
|   | 2.5.5                  | If data deficiencies are likely to materially affect the results and the member cannot find a satisfactory way to resolve the deficiencies, then the member should consider whether to: | a) Decline to undertake/continue to perform actuarial services  |   |           |                      |          |
|   |                        |   | b) Work with the principal to modify the services or obtain appropriate additional data   |   |           |                      |          |
| c) Subject to the Code, perform actuarial services and disclose the data deficiencies in the recorded communication |                        |   |   |   |           |                      |          |
| 2.7 Assumptions and methodology set by or adopted by the member   | 2.7.1                  | Selection of Assumptions and Methodology  | Are the assumptions and methodology appropriate for the work? The member should consider the needs of the intended users and the purpose of the actuarial services. In selecting assumptions and methodology, the member should consider the circumstances of the entity and the assignment, as well as relevant industry and professional practices. Also consider if the assumptions or methodology been adjusted to compensate for known deficiencies in the available data. Has the member considered the extent it is appropriate to use assumptions or methodology that have a known significant bias to underestimation or overestimation of the result? |   |           |                      |          |
|   | 2.7.2                  | Appropriateness of Assumptions  | Has the member considered the appropriateness of the assumptions underlying each component of the methodology used? Assumptions generally involve significant professional judgement as to the appropriateness of the methodology used and the parameters underlying the application of such methodology. Assumptions may (if permitted in the circumstances) be implicit or explicit and may involve interpreting past data or projecting future trends.   |   |           |                      |          |

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| ASP Section Header  | ASP Sub-Section Header                                 | ASP Section | Issue  | Description   | Addressed | Location of evidence | Comments |
|---|--|-------------|--|---|-----------|----------------------|----------|
|   |  | 2.7.3       | Margins for Adverse Deviations                   | Has the member considered to what extent it is appropriate to adjust the assumptions or methodology with margins for adverse deviations in order to allow for uncertainty in the underlying data, assumptions, or methodology? For the assumptions and methodology, have margins relating to adverse deviations and their corresponding broad effects been disclosed?   |           |                      |          |
|   |  | 2.7.4       | Discontinuities                                  | Have the effects of any discontinuities relating to experience, both as a result of internal and external circumstances, on assumptions and methodology been considered?  |           |                      |          |
|   |  | 2.7.5       | Aggregate Assumptions                            | Are all assumptions reasonable in aggregate? If not, have appropriate adjustments been made to make assumption reasonable?  |           |                      |          |
|   |  | 2.7.6       | Consistency of Assumptions and Interdependencies | Have any material inconsistencies in assumptions been documented in recorded communication with principal?<br>Have any significant interdependencies been modelled appropriately?   |           |                      |          |
|   |  | 2.7.7       | Alternative assumptions and sensitivity testing  | Has the member considered and addressed the sensitivity of the methodology to the effect of variations in key assumptions?  |           |                      |          |
|   | <b>2.8 Assumptions and methodology prescribed</b>      | 2.8.2       | Disclosure                                       | If prescribed assumptions/methodology significantly conflicts with what would be appropriate for the purpose of the actuarial services, has the member disclosed in the recorded communication that fact, the party who prescribed the assumption or methodology, and the reason why this party, rather than the member, set the assumption or methodology  |           |                      |          |
| If the member has been unable to judge the appropriateness of the prescribed assumption or methodology without performing a substantial amount of additional work beyond the scope of the assignment, or the member was not qualified to judge the appropriateness of the assumption, has the member disclosed in the recorded communication that fact, the party who prescribed the assumption or methodology, and the reason why this party, rather than the member, set the assumption or methodology? |  |             |  |   |           |                      |          |
|   |  | 2.8.3       | Disclosure                                       | If the principal requested calculations based on assumptions/methodology the member does not consider to be reasonable for the purpose of the actuarial services, has the member, in the recorded communication, stated the source of those assumptions and the member's opinion of their appropriateness and that, if the results of the work are communicated to any party other than the principal, this information should be included? |           |                      |          |
|   | <b>2.9 Assumptions and Methodology mandated by law</b> | 2.9         | Disclosure                                       | Have all assumptions and methodology mandated by law been disclosed in the recorded communication as mandated by law?   |           |                      |          |
| Where assumptions and methodology are mandated by law, does the recorded communication state that it should not be used for other purposes where the assumptions and methodology used are not appropriate (unless appropriately adjusted)?  |  |             |  |   |           |                      |          |
|   | <b>2.10 Model Governance</b>                           | 2.10.1      | Model Governance                                 | Where the member is using (selecting, developing, modifying and running) the model, is the member satisfied that the model risks have been identified, assessed and there are mitigation actions in place?  |           |                      |          |

| ASP Section Header | ASP Sub-Section Header         | ASP Section | Issue   | Description  | Addressed | Location of evidence | Comments |
|--------------------|--------------------------------|-------------|---|--|-----------|----------------------|----------|
|                    |                                | 2.10.2      | Model Validation  | Where the member is using (selecting, developing, modifying and running) the model, is the member satisfied that an appropriate model validation has taken place? Model validation assessments include a) The model reasonably fits its intended purpose, Items to be considered are the data and inputs required by the model, the appropriateness of relationships recognized, and if an appropriate range of results around expected values are generated b) The model meets its specifications c)The full or partial results of the model can be reproduced or any differences can be explained.                                       |           |                      |          |
|                    |                                | 2.10.3      | Model Governance  | Where the member is using (selecting, developing, modifying and running) the model:<br>- has the member showed understanding of the model and the conditions under which it should be used?<br>- has the member disclosed any limitations or uncertainties of the model and their broad implications?<br>- has the member stated the context in which the model will be used, how inputs will be provided and how the results will be used?  |           |                      |          |
|                    |                                | 2.10.4      | Model Documentation   | Where the member is using (selecting, developing, modifying and running) the model, is the member satisfied there is adequate documentation of the model design, operation, construction, conditions of use and limitations? This documentation should include, where appropriate, scope, purpose, methodology, statistical quality, calibration, and fitness for intended purpose, and reflect changes to the model (if any) made by the member.  |           |                      |          |
|                    |                                | 2.10.5      | Model Controls  | Where the member is using (selecting, developing, modifying and running) the model, is the member satisfied that the model is subject to appropriate controls?   |           |                      |          |
|                    |                                | 2.10.6      | Model Results   | Where the member is using (selecting, developing, modifying and running) the model,<br>a) is the member satisfied the conditions to use the model are met?<br>b) is the member satisfied there are appropriate controls on inputs and outputs of the model?<br>c)is the member satisfied the model validation performed is sufficient?<br>d) has the member understood and explained material differences between different runs of the model?<br>e) has the member understood any management actions or responses assumed within the model?<br>f) has the member documented limitations, key assumptions, inputs, outputs, intended uses? |           |                      |          |
|                    | <b>2.11 Process management</b> | 2.11.1      | Process controls  | Has the member considered to what extent, if any, the procedures used to carry out the work should be controlled, and if so, how?  |           |                      |          |
|                    |                                | 2.11.2      | Reasonableness checks   | Has the member reviewed the results produced by the selected assumptions and methodology for overall reasonableness?   |           |                      |          |
|                    | <b>2.12 Quality Assurance</b>  | 2.12.1      | Has the member, in deciding what quality assurance processes are appropriate and proportionate, whether different | a. The degree of difficulty of the various elements of the work and its overall complexity   |           |                      |          |
|                    |                                |             |   | b. The purpose of the work and the extent (if any) to which the intended users may reasonably be expected to effectively review and challenge it   |           |                      |          |
|                    |                                |             |   | c. The significance of the work to the intended users  |           |                      |          |
|                    |                                |             |   | d. The extent to which professional judgement and/or analysis is required in the work  |           |                      |          |
|                    |                                |             |   | e. Whether the way in which the work is carried out makes it vulnerable to errors  |           |                      |          |

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| ASP Section Header                | ASP Sub-Section Header                     | ASP Section   | Issue  | Description  | Addressed  | Location of evidence | Comments |  |
|-----------------------------------|--|---|--|--|--|----------------------|----------|--|
|                                   |  |   | processes are appropriate for different elements of the work and when the processes should be carried out, considered: | f. Whether there are legislative or regulatory requirements for the work to be peer reviewed<br>g. The desirability of assuring public confidence in the quality of the work                     |  |                      |          |  |
|                                   |  | 2.12.2  | Roles and responsibilities   | If another person is reviewing work performed, is there clarity regarding each reviewer's roles and responsibilities and whether the reviewer has competence and capacity to perform the review? |  |                      |          |  |
|                                   |  | 2.12.3  | Documentation  | Has the completion of quality assurance processes been suitably documented?  |  |                      |          |  |
|                                   | <b>2.13 Treatment of Subsequent Events</b> | 2.13  | Subsequent Events  | Have all subsequent events, which have the potential of materially changing the results of the actuarial work performed, been considered and also disclosed in the recorded communication?       |  |                      |          |  |
|                                   | <b>2.14 Retention of documentation</b>     | 2.14.1  | Retention of Documentation   | Will all documentation for purposes such as: peer review, audit, regulatory review, compliance with law be retained for a reasonable period of time?   |  |                      |          |  |
|                                   |  | 2.14.2  | Detail of Documentation  | Does all documentation contain enough detail for a member who is qualified in the same practice area to understand the work and assess the judgements made?                                      |  |                      |          |  |
|                                   |  | 2.14.3  | Access to material   | Has the member ensured that, nothing in this ASP is intended to give any person access to material beyond the access that they are otherwise authorised to have.                                 |  |                      |          |  |
|                                   | <b>3.1</b>                                 | <b>3.1 General principles</b>                                     | 3.1.1  | Form and content   | Is the form, structure, style, level of detail and content of the communication appropriate for the particular circumstances and for the intended users? |                      |          |  |
|                                   |  |   | 3.1.2  | Clarity  | Is the wording of the recorded communication clear and the language used appropriate for the circumstances and the intended users?                       |                      |          |  |
|                                   |  |   | 3.1.3  | Timing   | Was the communication issued within a reasonable time period?  |                      |          |  |
| 3.1.4                             |  |   | Identification of the member   | Does the communication clearly identify the issuing member(s)?   |  |                      |          |  |
| <b>3.2 Recorded communication</b> |  | 3.2   | Recorded communication   | Has a recorded communication been completed? If no, please explain   |  |                      |          |  |
|                                   |  | 3.2.1   | Content: Does the recorded communication include, if applicable:   | a) Scope and intended use of recorded communication  |  |                      |          |  |
|                                   |  |   |  | b) Results of actuarial services, including potential variability of results   |  |                      |          |  |
|                                   |  |   |  | c) Methodology, assumptions and data used  |  |                      |          |  |
|                                   |  |   |  | d) Any restrictions on distribution  |  |                      |          |  |
|                                   |  |   |  | e) Date of the recorded communication  |  |                      |          |  |
|                                   |  | f) Information on the authorship of the recorded communication    |  |  |  |                      |          |  |
| 3.2.2                             |  | a) Any material deviation from the requirements of this ASP (1.3) |  |  |  |                      |          |  |



| ASP Section Header   | ASP Sub-Section Header | ASP Section  | Issue   | Description   | Addressed  | Location of evidence  | Comments |  |  |
|--|------------------------|--|---|---|--|---|----------|--|--|
|  |                        |  | Disclosures: Does the recorded communication disclose, if applicable: | b) Any reliance on information prepared by another party for which the member disclaims responsibility (2.3.3)  |  |   |          |  |  |
|  |                        |  |   | c) Any material omissions, understatements or overstatements (2.4)  |  |   |          |  |  |
|  |                        |  |   | d) Any data modification, validation, adjustment and deficiencies (2.5)   |  |   |          |  |  |
|  |                        |  |   | e) Member's assessment of the uncertainty inherent in the information used by the member (2.5.4c)   |  |   |          |  |  |
|  |                        |  |   | f) Any margins for adverse deviations in assumptions or methodology   |  |   |          |  |  |
|  |                        |  |   | g) Any material inconsistency in the assumptions used (2.7.6)   |  |   |          |  |  |
|  |                        |  |   | h) Where the recorded communication contains the results of an additional calculation using an assumption set requested by the principal which the member does not judge to be reasonable for the purpose of the assignment (2.8.3)   |  |   |          |  |  |
|  |                        |  |   | i) Assumptions and methodology prescribed by another party which the member does not support (2.8)  |  |   |          |  |  |
|  |                        |  |   | j) Assumptions and methodology that are mandated by law (2.9)   |  |   |          |  |  |
|  |                        |  |   | k) The limitations, and uncertainties, of any model used for their work, and their broad implications (2.10.3)  |  |   |          |  |  |
|  |                        |  |   | l) The management actions and responses assumed in the model used for the work, and their implications (2.10.6.e)   |  |   |          |  |  |
|  |                        |  |   | m) Any relevant and material subsequent event (2.13)  |  |   |          |  |  |
|  |                        |  |   | 3.2.3   | Authorship: Does the recorded communication include: | a) Member's name  |          |  |  |
|  |                        |  |   |   |  | b) If applicable, name of organisation on behalf of which the member is issuing the recorded communication, and the position held by the member |          |  |  |
| c) Capacity in which the member serves   |                        |  |   |   |  |   |          |  |  |
| d) Member's qualifications   |                        |  |   |   |  |   |          |  |  |
| e) Code of professional conduct and actuarial standards under which the work was performed |                        |  |   |   |  |   |          |  |  |
| f) If applicable, attestations and reliances   |                        |  |   |   |  |   |          |  |  |
| 3.2.4  | Form                   | Where a recorded communication comprises multiple documents, has the member communicated to all intended users which documents comprise the recorded communication?  |   |   |  |   |          |  |  |
| 3.2.5  | Constraints            | Has the member followed the requirements of this ASP to the extent reasonably possible within any constraints, e.g. legal, legislative, regulatory or supervisory proceedings or requirements, or other standards such as financial reporting standards or an entity's accounting policy |   |   |  |   |          |  |  |
| <b>4. Compensation for professional shortcomings</b>                                       | <b>4</b>               | 4.1  | If the member is a responsible person where actuarial services are    | Consider the potential for those clients to suffer reasonably foreseeable loss, whether indirect or direct, caused by negligence, breach of duty of care or equivalent legal liability in relation to the external actuarial work provided and ensure that appropriate arrangements are in place in relation to compensation for such loss. |  |   |          |  |  |

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|--------------------|------------------------|-------------|--|---|-----------|----------------------|----------|
|                    |                        | 4.2         | provided to external clients, they must: | Ensure that the member is in a position to justify the appropriate arrangements in place in relation to 4.1, if reasonably called upon to do so to. |           |                      |          |

## 5.2 Liability Adequacy Testing (“LAT”) – example format

The following table is one example, amongst others, of how a company may decide to analyse and present its LAT for the reporting period for FRS 103 reporters. The structure and components in this example may not be applicable or appropriate to an individual company. Dummy numbers are included in the table.

| YEXX<br>Amounts in € millions<br>Gross of reinsurance         | Investment<br>(without<br>DPF) | Insurance<br>(without<br>DPF) | Insurance<br>(with DPF) | Investment<br>(with DPF) | Total        |
|---|--------------------------------|-------------------------------|-------------------------|--------------------------|--------------|
| <b>Financial statements</b>                                   |                                |                               |                         |                          |              |
| FS unit reserves (A)  | 1,000                          | 1,000                         | 1,000                   | 1,000                    | 4,000        |
| FS non-unit reserves (B)                                      | 0                              | 150                           | 200                     | 100                      | 450          |
| <b>Total reserves<br/>(C = A + B)</b>                         | <b>1,000</b>                   | <b>1,150</b>                  | <b>1,200</b>            | <b>1,100</b>             | <b>4,450</b> |
| DAC (D)   | 120                            | 130                           | 80                      | 80                       | 410          |
| DIL (E)   | 100                            | 0                             | 0                       | 0                        | 100          |
| <b>FS reserves net of<br/>intangibles<br/>(F = C - D + E)</b> | <b>980</b>                     | <b>1,020</b>                  | <b>1,120</b>            | <b>1,020</b>             | <b>4,140</b> |
|   |                                |                               |                         |                          |              |
| <b>Best estimate</b>  |                                |                               |                         |                          |              |
| BE unit reserves (G)  | 1,000                          | 1,000                         | 1,000                   | 1,000                    | 4,000        |
| BE non-unit reserves (H)                                      | -120                           | -30                           | 50                      | -100                     | -200         |
| <b>BE total reserves<br/>(I = G + H)</b>                      | <b>880</b>                     | <b>970</b>                    | <b>1,050</b>            | <b>900</b>               | <b>3,800</b> |
|   |                                |                               |                         |                          |              |
| <b>“Headroom”<br/>(J = F - I)</b>                             | <b>100</b>                     | <b>50</b>                     | <b>70</b>               | <b>120</b>               | <b>340</b>   |

### 5.3 DAC / DIL roll-forward – example format

The following table is one example, amongst others, of how a company may decide to analyse and present its DAC or DIL roll-forward for the reporting period. The structure and components in this example may not be applicable or appropriate to an individual company. Dummy numbers are included in the table.

Amounts could be presented both gross or net of reinsurance.

| Amounts in € millions                            | YEXX       | YEX[x-1]   | Movement    |
|--|------------|------------|-------------|
| <b>Opening balance</b>                           | <b>592</b> | <b>700</b> | <b>-108</b> |
| Impact on opening of changes in methodology      | -60        | 0          | -60         |
|  |            |            |             |
| <b>Existing business at start of period</b>      |            |            |             |
| Adjusted opening balance                         | <b>532</b> | <b>700</b> | <b>-168</b> |
| LESS: Amortisation on opening balance            | 55         | 70         | -15         |
| Amortised %                                      | 10.3%      | 10.0%      | 0.3%        |
| Post amortisation amount                         | 477        | 630        | -153        |
| LESS: Impact of offs on post amortisation amount | 25         | 30         | -5          |
| LESS: Impact of impairment                       | 0          | 50         | -50         |
| <b>Closing amount for existing business (A)</b>  | <b>452</b> | <b>550</b> | <b>-98</b>  |
|  |            |            |             |
| <b>New business during the period</b>            |            |            |             |
| Amount deferred                                  | 80         | 50         | 30          |
| LESS: Amortisation on amount deferred            | 4          | 3          | 1           |
| Amortised %                                      | 5.0%       | 6.0%       | -1.0%       |
| Post amortisation amount                         | 76         | 47         | 29          |
| LESS: Impact of offs on post amortisation amount | 2          | 1          | 1           |
| LESS: Impact of impairment                       | 0          | 4          | -4          |
| <b>Closing amount for new business (B)</b>       | <b>74</b>  | <b>42</b>  | <b>32</b>   |
|  |            |            |             |
| <b>Total closing balance (A + B)</b>             | <b>526</b> | <b>592</b> | <b>-66</b>  |

The amounts reported in this section are not related to the amounts in Section 5.2 of this paper.

## 5.4 IFRS 17 Movement in Carrying Amounts – example format

Paragraphs 98 to 105B of IFRS 17 specify how reporters are required to explain movements in carrying amounts of (re)insurance assets or liabilities over the reporting period. The following table covers one example, amongst others, of how some of those requirements may be satisfied. The structure and components in this example may not be applicable or appropriate to an individual company. Dummy numbers are included in the table.

| €m  | Liability for remaining coverage |                | Liability for incurred claims                       |                 | Total       |
|---|----------------------------------|----------------|---|-----------------|-------------|
|   | Excluding loss component         | Loss component | Estimates of the present value of future cash flows | Risk adjustment |             |
| <b>20XX</b>   |                                  |                |   |                 |             |
| Insurance contract liabilities as at 1 January 20XX                     | 59                               | 4              | 311   | 16              | 390         |
| Insurance contract assets as at 1 January 20XX                          | -                                | -              | -   | -               | -           |
| <b>Net insurance contract (assets)/liabilities as at 1 January 20XX</b> | <b>59</b>                        | <b>4</b>       | <b>311</b>  | <b>16</b>       | <b>390</b>  |
| Insurance revenue   | (100)                            | -              | -   | -               | (100)       |
| <b>Insurance service expenses</b>                                       |                                  |                |   |                 |             |
| Incurred claims and other expenses                                      | 0                                | -              | 89  | 4               | 93          |
| Losses on onerous contracts and reversals of those losses               | -                                | 2              | -   | -               | 2           |
| Changes to liabilities for incurred claims                              | -                                | -              | (12)  | (0)             | (12)        |
| <b>Total Insurance service expenses</b>                                 | <b>0</b>                         | <b>2</b>       | <b>77</b>   | <b>3</b>        | <b>82</b>   |
| <b>Insurance service result</b>   | <b>(100)</b>                     | <b>2</b>       | <b>77</b>   | <b>3</b>        | <b>(18)</b> |
| Insurance finance expenses  | -                                | -              | 20  | 1               | 21          |
| Effect of movements in exchange rates                                   | 2                                | -              | 9   | 0               | 11          |
| <b>Total changes in the statement of comprehensive income</b>           | <b>(98)</b>                      | <b>2</b>       | <b>106</b>  | <b>4</b>        | <b>14</b>   |
| <b>Cash flows</b>   |                                  |                |   |                 |             |
| Premiums received   | 94                               | -              | -   | -               | 94          |
| Claims and other expenses paid  | 0                                | -              | (78)  | -               | (78)        |
| <b>Total cash flows</b>   | <b>94</b>                        | <b>0</b>       | <b>(78)</b>   | <b>0</b>        | <b>16</b>   |

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| €m  | Liability for remaining coverage |                | Liability for incurred claims                       |                 | Total      |
|---|----------------------------------|----------------|---|-----------------|------------|
|   | Excluding loss component         | Loss component | Estimates of the present value of future cash flows | Risk adjustment |            |
| <b>20XX</b>   |                                  |                |   |                 |            |
| <b>Net insurance contract (assets)/liabilities as at 31 December 20XX</b> | <b>55</b>                        | <b>6</b>       | <b>339</b>  | <b>20</b>       | <b>420</b> |
| Insurance contract liabilities as at 31 December 20XX                     | 55                               | 6              | 339   | 20              | 420        |
| Insurance contract assets as at 31 December 20XX                          | -                                | -              | -   | -               | -          |
| <b>Net insurance contract as at 31 December 20XX</b>                      | <b>55</b>                        | <b>6</b>       | <b>339</b>  | <b>20</b>       | <b>420</b> |

## 5.5 Glossary

|             |  |
|-------------|--|
| <b>ARTP</b> | Actuarial Report on Technical Provisions (Solvency II)   |
| <b>ASP</b>  | Actuarial Standard of Practice   |
| <b>AVIF</b> | Acquired Value of In-Force business  |
| <b>BEL</b>  | Best Estimate Liability (Solvency II)  |
| <b>CSM</b>  | Contractual Service Margin (IFRS17)  |
| <b>DAC</b>  | Deferred Acquisition Costs asset (may also be referred to as Deferred Origination Costs “DOC” for investment classified contracts)   |
| <b>DIL</b>  | Deferred Income Liability (may also be referred to as Deferred Origination Fees “DOF”, Deferred Income Reserves “DIR”, Deferred Front-end Fees “DFEF”, Unearned Revenue Reserve “URR”) |
| <b>DPF</b>  | Discretionary Participation Features, e.g. with-profits  |
| <b>DTA</b>  | Deferred Tax Asset   |
| <b>DTL</b>  | Deferred Tax Liability   |
| <b>ED</b>   | Embedded Derivative  |
| <b>ESAP</b> | European Actuarial Standard of Practice  |
| <b>FRS</b>  | Financial Reporting Standards (as applied in Ireland / UK)   |
| <b>FS</b>   | Financial Statements   |
| <b>GAAP</b> | Generally Accepted Accounting Principles   |
| <b>GMM</b>  | General Measurement Model (IFRS17)   |
| <b>IAA</b>  | International Actuarial Association  |
| <b>IFRS</b> | International Financial Reporting Standards  |
| <b>LAT</b>  | Liability Adequacy Test  |
| <b>PAA</b>  | Premium Allocation Approach (IFRS17)   |
| <b>SAI</b>  | Society of Actuaries in Ireland  |
| <b>VFA</b>  | Variable Fee Approach (IFRS17)   |