
**PRACTICE GUIDELINE 1
GENERAL ACTUARIAL PRACTICE
March 2020**

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PREFACE TO PRACTICE GUIDELINE 1

This version of Practice Guideline 1 (PG 1) is the Australian adaptation of International Standard of Actuarial Practice 1: General Actuarial Practice ("ISAP 1") as approved by the International Actuarial Association ("IAA") Council on 1 December 2018 (with minor corrections on 16 April 2019).

The intention of ISAP 1 is to promote a greater consistency of approach to actuarial practice internationally in a given situation, so as to increase the confidence of clients and the public in the actuarial work product, but without unnecessarily constraining the exercise of actuarial judgment or creativity. ISAP 1 is a distillation of general international practice and is consistent with expectations under the Code. As such, Members of the Institute are strongly encouraged to apply the practices set out in PG 1.

In adapting ISAP 1 to create PG 1 for application by Members, the aim has been to follow ISAP 1 as far as possible given local circumstances.

Based on the nature and extent of the differences between PG 1 and ISAP 1, the Institute has assessed that there is "strong convergence" between PG 1 and ISAP 1 i.e. PG 1 materially conforms to international standards of the IAA, with allowance for local modification to fit local conditions. However, given the differences, it should be noted that compliance with PG 1 will not necessarily result in compliance with ISAP 1. Therefore, where a Member is required to perform work in conformity with ISAP 1 (e.g. because the work is being undertaken in an overseas jurisdiction) the Member should refer to the specific requirements of ISAP 1.

The principles and requirements of PG 1 are consistent with ISAP 1 with the exception of the following:

▶ Section 1.3 Scope (was Section 1.2 of ISAP 1):

ISAP 1 states that it applies to all Actuarial Services.

PG 1 states that it applies to Applicable Services; and, as such, PG 1 is an Applicable Professional Practice Document (Applicable PPD).

The Glossary defines Applicable Services as Services that are designated in an Institute Professional Standard or Practice Guideline as being Applicable Services.

The Glossary defines an Applicable PPD as a Professional Standard or Practice Guideline that covers Applicable Services.

▶ Section 1.5 Applicability (was Section 1.4 of ISAP 1):

ISAP 1 states that compliance with ISAP 1 is a prerequisite to compliance with all other ISAPs.

PG 1 states that compliance with PG 1 is a prerequisite to compliance with all other Applicable PPDs.

▶ Section 3.2:

This section has been expanded to include material previously included in PG 199.01 – Prescribed Actuarial Advice Reporting (which was withdrawn at the time of initial adoption of PG 1).

A number of other minor changes have been made principally for consistency with local conditions and for clarification purposes.

A full tabulation of the differences between PG 1 and ISAP 1 is set out in the Appendix to PG 1.

1. GENERAL

1.1. Purpose of PG 1

This Practice Guideline (PG) provides guidance to Members when performing Applicable Services to give Intended Users confidence that:

- a. The Applicable Services are carried out professionally and with due care;
- b. The results are relevant to their needs, are presented clearly and understandably, and are complete; and
- c. The assumptions and methodology (including, but not limited to, models and modelling techniques) used are disclosed appropriately.

1.2. Classification of PG1

1.2.1 This PG has been prepared in accordance with Council's Policy for Developing Documents to Guide and Regulate Professional Practice, as varied from time to time. It must be applied in the context of the Institute's Code.

1.2.2 This PG is not mandatory.

1.2.3 Nevertheless, if the Services provided by a Member are covered to any extent by this PG, a Member should consider explaining any significant departure from this PG to the Principal, and record such explanation.

1.3. Scope of PG1

This PG applies to a Member providing Applicable Services. As such, PG 1 is an Applicable PPD. However, if the whole or part of this PG conflicts with:

- a. Legislation (including any regulations, prudential standards, subordinate standards, rules issued by government authorities and standards issued by professional bodies which have the force of law); or
- b. Another professional practice document of the Institute which is either the Code or a Professional Standard;

then that legislation or other professional practice document takes precedence with respect to the conflict. In such cases, the remaining clauses (or parts of those clauses) of this PG which are not in conflict continue in full force and effect.

For Services that do not fall within the scope of this PG, Members are encouraged to consider the guidance provided in this PG, if appropriate, when performing such services.

This PG does not constitute legal advice. Any interpretation or commentary within this PG regarding specific legislation or regulatory requirements reflects the expectations of the Institute but does not guarantee compliance under applicable legislation or regulations. Accordingly, Members should seek clarification from the relevant regulator and/or seek legal advice in the event they are unsure or require specific guidance regarding their legal or regulatory obligations.

1.4. Compliance

A Member may fail to follow the guidance in an Applicable PPD but still comply with it where the Member:

- 1.4.1. Complies with requirements of Law that conflict with the Applicable PPD;
- 1.4.2. Complies with requirements of the Code or a Professional Standard applicable to the Work that conflict with the Applicable PPD; or
- 1.4.3. Departs from the guidance in the Applicable PPD and provides, in every Report to which it is relevant, an appropriate statement with respect to the nature, rationale and effect of any such departure if the guidance is expressed as “should”. If the guidance is expressed as “must”, the Member may not depart from it unless paragraph 1.4.1 or paragraph 1.4.2 applies, and the Member provides, in every Report to which it is relevant, an appropriate statement with respect to the nature, rationale and effect of any such departure.

1.5. Applicability

PG 1 provides guidance to Members on general actuarial practice when performing Applicable Services. Other Applicable PPDs do not necessarily repeat the general guidance provided in PG 1. Compliance with PG 1 is a prerequisite to compliance with all other Applicable PPDs. A Member who is performing the Applicable Services may be acting in one of several capacities such as an employee, management, director, external adviser, auditor, or supervisory authority.

- 1.5.1 The application of the Applicable PPD is clear when the Member is a single consulting actuary performing the Applicable Services for a client who is not affiliated with the Member.
- 1.5.2 When a team is performing Applicable Services, most paragraphs of the Applicable PPD apply to every Member on the team. However, requirements in some paragraphs need not be met by every Member on the team personally (e.g., 2.1.1). In the case of such paragraphs, each Member on the team should identify, if relevant to that Member's Work, which member of the team is responsible for complying with such requirements and be satisfied that the other team member accepts that responsibility.
- 1.5.3 When a team is performing Applicable Services, the team leader takes overall responsibility for the team's work product. A Member who is not the team leader (and hence does not control the team's work product) should comply with the requirements of the Applicable PPD as relevant to their contribution to the Services.
- 1.5.4 If a Member is performing Applicable Services for an affiliated party (either individually or as a member of a team) the Member should interpret the Applicable PPD in the context of practices that apply normally within or in relation to the affiliated party, except that, if there are substantive inconsistencies between these practices and the Applicable PPD, the Member should endeavour to observe the spirit and intent of the Applicable PPD as fully as possible.
 - a. The Member should consider the expectations of the Principal. These expectations might suggest that it may be appropriate to omit some of the otherwise required content in a Report. However, limiting the content of a Report may not be

appropriate if that Report or the findings in that Report may receive broad distribution.

- b. If the Member believes circumstances are such that including certain content in a Report is not necessary or appropriate, the Member should record these circumstances and the rationale for limiting the content of that Report.

1.6 Reasonable Judgment

The Member should exercise reasonable judgment in applying any Applicable PPD.

- 1.6.1 A judgment is reasonable if it takes into account:

- a. The spirit and intent of the Applicable PPDs;
- b. The type of assignment; and
- c. Appropriate constraints on time and resources.

- 1.6.2 Nothing in an Applicable PPD should be interpreted as requiring work to be performed that is not proportionate to the scope of the decision or the assignment to which it relates and the benefit that Intended Users would be expected to obtain from the Work (Principle of Proportionality).

- 1.6.3 Any judgment required by an Applicable PPD (including implicit judgment) is intended to be the Member's Professional Judgment unless otherwise stated.

1.7 Language

- 1.7.1 Some of the language used in all Applicable PPDs is intended to be interpreted in a very specific way in the context of a decision of the Member. In particular, the following words are to be understood to have the meanings indicated:

- a. "Must" means that the indicated action is mandatory and failure to follow the indicated action will constitute a failure to comply with the Applicable PPD, unless the departure is due to a conflict with Law (1.4.1) or the Code or a Professional Standard (1.4.2) and the Member discloses that fact and provides the reason for not following the indicated action as described in paragraph 1.4.3.
- b. "Should" (or "shall") means that, under normal circumstances, the Member is expected to follow the indicated action, unless the departure is due to a conflict with Law (1.4.1) or the Code or a Professional Standard (1.4.2). However, in all other cases, if following the indicated action would produce a result that would be inappropriate or would potentially mislead the Intended Users of the Applicable Services, the Member should depart from the guidance and disclose that fact and provide the reason for not following the indicated action as described in paragraph 1.4.3.
- c. "May" means that the indicated action is not required, nor even necessarily expected, but in certain circumstances is an appropriate activity, possibly among other alternatives. Note that "might" is not used as a synonym for "may", but rather with its normal meaning.

- d. "Any" (as in e.g. "any Report") means all such items if they exist, while acknowledging they may not exist. Such a reference does not give rise to a requirement to create such an item.

- 1.7.2 This document uses various capitalized terms whose precise meaning is defined in the Glossary of General Defined Terms Used in Practice Guidelines, or is defined in the Code.

1.8 Cross-References

When an Applicable PPD refers to the content of another document, the reference relates to the referenced document as it is effective on the Adoption Date of the Applicable PPD. If the referenced document is amended or restated after the Adoption Date, the Member should consider the extent to which the guidance in the Applicable PPD is still applicable and appropriate.

1.9 Effective Date of PG 1

This PG is effective for Applicable Services performed on or after 31 March 2020.

2. APPROPRIATE PRACTICES

2.1. Acceptance of Assignment

- 2.1.1. When providing the Applicable Services, the Member should confirm with the Principal the nature and scope of services to be provided, including:

- 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 and expected cost or resources needed (especially if they are substantial); and
- e. The information needed to be communicated to and by the Member, especially if it is sensitive or confidential.

- 2.1.2. In accepting an assignment for Applicable Services, the Member shall:

- a. Be satisfied that the assignment can be performed under the Code; and
- b. Have reasonable assurance of time, resources, access to relevant employees and other relevant parties, access to documentation and information, and the right of the Member to communicate information, as may be necessary for the Work.

2.2. Knowledge of Relevant Circumstances

The Member should have or obtain sufficient knowledge and understanding of the Data and other information available, including the relevant history, processes, nature of the business operations, Law, and business environment of the subject of the Applicable Services, to be appropriately prepared to perform the Applicable Services required by the assignment. Members are also reminded of their professional competence obligations under the Code.

2.3. Reliance on Others

The Member may use information prepared by another party. This information may include Data, opinions of other professionals, and supporting analyses (but excludes assumptions and methodology). The Member may select the party and information on which to rely, or may be given the information by the Principal. The Member may take responsibility for such information, or the Member may state that reliance has been placed upon the source of this information and disclaim responsibility.

- 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 expected 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; and
 - e. The need to review the other party'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 determine that the use of that information conforms to Accepted Actuarial Practice in the jurisdiction(s) of the Member's services;
 - b. Should establish appropriate procedures for the management and review of the information that the Member intends to use; and
 - c. Does not need 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 in any Report that fact (including identifying the other party);
 - b. Disclose in any Report the nature and extent of such reliance;
 - c. Examine the information for evident shortcomings;
 - d. When practicable, review the information for reasonableness and consistency; and
 - e. Disclose in any Report the steps, if any, that the Member took to determine whether it was appropriate to rely on the information.
- 2.3.4 If the information was prepared by the other party under a different jurisdiction, the Member should consider 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.

2.4 Materiality

In case of omissions, understatements, or overstaterments, the Member should assess whether the effect is material. If the effect of any of these is material, the Member should disclose this in any Report to which it is relevant. The threshold of materiality under which the Work is being conducted should be determined by the Member unless it is imposed by another party such as an auditor or the Principal. When determining the threshold of materiality, the Member should:

- 2.4.1 Assess materiality from the point of view of the Intended User(s), recognizing the purpose of the Applicable Services; thus, an omission, understatement, or overstatement is material if the Member expects it to affect significantly either the Intended User's decision-making or the Intended User's reasonable expectations;
- 2.4.2 Consider the Applicable Services and the subject of those services; and
- 2.4.3 Consult with the Principal if necessary.

2.5 Data Quality

- 2.5.1 Sufficient and Reliable Data – The Member should consider whether sufficient and reliable Data are available to perform the Applicable Services. Data are sufficient if they include the appropriate information for the Work. Data are reliable if they are substantially accurate. If sufficient and reliable Data are not available, then the Member should follow the guidance in paragraph 2.5.5 below.
- 2.5.2 Data Validation – The Member should take reasonable steps to review the consistency, completeness, and accuracy of the Data used. These might include:
 - a. Undertaking reconciliations against audited financial statements, trial balances, or other relevant records, if these are available;
 - b. Testing the Data for reasonableness against external or independent Data;
 - c. Testing the Data for internal consistency and consistency with other relevant information; and
 - d. Comparing the Data to that for a prior period or periods.

The Member should describe this review in any Report.

- 2.5.3 Sources of Data for Assumptions - To the extent possible and appropriate when setting assumptions, the Member should consider using Data specific to the organization or the subject of the Applicable Services. Where such Data are not available, relevant, or sufficiently credible, the Member should consider industry Data, Data from other comparable sources, population Data, or other published Data, adjusted as appropriate. The Data used, and the adjustments made, should be described in any Report.
- 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 any Report.
- 2.5.5 Deficiencies in Data - The Member should consider the possible effect of any Data deficiencies (such as inadequacy, inconsistency, incompleteness, inaccuracy, and

unreasonableness) on the results of the Work. If such deficiencies in the Data are not likely to materially affect the results, then the deficiencies need not be considered further. If the Member cannot find a satisfactory way to resolve the deficiencies, then the Member should consider whether to:

- a. Decline to undertake or continue to perform the Applicable Services;
- b. Work with the Principal to modify the Applicable Services or obtain appropriate additional Data or other information; or
- c. Subject to compliance with the Code, perform the Applicable Services as well as possible and disclose in any Report the Data deficiencies (including an indication of the potential impact of those Data deficiencies).

2.6 Assumptions and Methodology

2.6.1 The assumptions and methodology may be:

- a. Set by the Member (2.7);
- b. Prescribed by the Principal or another party (2.8); or
- c. Mandated by Law (2.9).

2.6.2 Where a Report is silent about who set an assumption or methodology, the Member who authored that Report will be assumed to have taken responsibility for such assumption or methodology.

2.7 Assumptions and Methodology Set by Member

Where the Member sets the assumptions and methodology, or the Principal or another party sets an assumption or methodology that the Member is willing to support:

2.7.1 Selection of Assumptions and Methodology - The Member should select the assumptions and methodology that are appropriate for the Work. The Member should consider the needs of the Intended Users and the purpose of the Applicable Services. In selecting assumptions and methodology, the Member should consider the circumstances of the organization, the subject of the Applicable Services, and the assignment, as well as relevant industry and professional practices. The Member should consider to what extent it is appropriate to adjust assumptions or methodology to compensate for known deficiencies in the available Data. The Member should consider to what extent it is appropriate to use assumptions or methodology if they have a known significant bias to underestimation or overestimation of the result.

2.7.2 Appropriateness of Assumptions - The Member should consider the appropriateness of the assumptions underlying each component of the methodology used. Assumptions generally involve significant Professional Judgment 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 and other information or projecting future trends.

2.7.3 Margins for Adverse Deviations - In cases where unbiased calculations are not required, the Member should consider 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 and other information, assumptions, or methodology. The Member should disclose any incorporation of margins for adverse deviations in assumptions or methodology in any Report.

2.7.4 Discontinuities - The Member should consider the effect of any discontinuities in experience on assumptions or methodology. Discontinuities could result from:

- a. Internal circumstances regarding the organization or subject of the Applicable Services such as changes in an insurer's claims processing or changes in the mix of business; or
- b. External circumstances impacting the organization or subject of the Applicable Services such as changes in the legal, economic, legislative, regulatory, supervisory, demographic, technological, and social environments.

2.7.5 Individual Assumptions and Aggregate Assumptions – The Member should assess whether an assumption set is reasonable in the aggregate. While assumptions might be justifiable individually, it is possible that prudence or optimism in multiple assumptions will result in an aggregate assumption set that is no longer valid. If not valid, the Member should make appropriate adjustments to achieve a reasonable assumption set and final result.

2.7.6 Internal Consistency of Assumptions and Methodology – The Member should determine if the assumptions and methodology used for different components of the Work are materially consistent, and that any significant interdependencies are modelled appropriately. The Member should disclose any material inconsistencies in any Report.

2.7.7 Alternative Assumptions and Sensitivity Testing – The Member should consider and address the sensitivity of the methodology to the effect of variations in key assumptions, when appropriate. In determining whether sensitivity has been appropriately addressed, the Member should take into account the purpose of the Applicable Services and whether the results of the sensitivity tests reflect a reasonable range of variation in the key assumptions, consistent with that purpose.

2.8 Assumptions and Methodology Prescribed (other than by Law)

Where the assumptions or methodology are prescribed by the Principal or another party:

2.8.1 If the Member is willing to support the prescribed assumption or methodology (following paragraph 2.7 as applicable), the Member may disclose the party who prescribed the assumption or methodology and the Member's support in any Report.

2.8.2 If the Member is unwilling to support the prescribed assumption or methodology because:

- a. It significantly conflicts with what would be appropriate for the purpose of the Applicable Services; or
- b. 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;

then the Member should disclose in any Report 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 When the Principal requests an additional calculation using an assumption set which the Member does not judge to be reasonable for the purpose of the Applicable Services, the Member may provide the Principal with the results based on such assumptions. The Member should disclose to the Principal and to any other party to whom those results are communicated, the source of those assumptions and the Member's opinion of their appropriateness.

2.8.4 In relation to 2.8.2 and 2.8.3, Members are also reminded of their obligations under the Code.

2.9 Assumptions and Methodology Mandated by Law

When an assumption or methodology is mandated by Law, the Member should disclose in any Report that the assumption or methodology was mandated by Law and whether such assumption or methodology may limit the relevance of the Work for other purposes.

2.10 Model Governance

For the purpose of this paragraph and subparagraphs i. and j. of paragraph 3.2.2, "using" includes selecting, developing, modifying, and running Models.

This paragraph applies to all Models used when performing Applicable Services which support decision making. It provides guidance to Members on appropriate Model Governance to manage the risks inherent in using a Model. Model Governance is important for all Models, from those using simple spreadsheets to those including complex simulations. The level of governance should be proportionate to the risk to the Intended Users as a result of an incorrect conclusion being drawn from the results of the Model.

The Member involved in using Models should:

2.10.1. Be satisfied that the Model Risks have been identified, assessed, and that there are appropriate actions to mitigate these risks such as adequate model validation, documentation, and process controls.

2.10.2. Be satisfied that an appropriate model validation has taken place. The model validation includes assessments that:

a. The Model reasonably fits its intended purpose. Items that the Member should consider, if applicable, include the availability, granularity, and quality of Data and inputs required by the Models, the appropriateness of the relationships recognized, and the Model's ability to generate an appropriate range of results around expected values;

b. The Model meets its specifications; and

- c. The full or partial results of the Model can be reproduced or any differences can be explained.

The model validation should be performed by individual(s) who did not develop the Model, unless to do so imposes a burden that is disproportionate to the Model Risk.

- 2.10.3. Understand the Model, the conditions under which it is appropriate for the Model to be used including any limitations of the Model for the intended use, the context in which the Model will be used, how model inputs will be provided, and how the Member expects the results of the Model will be used. The Member should disclose relevant limitations or uncertainties and their broad implications in any Report.
- 2.10.4. Be satisfied that there is adequate documentation of the Model design, construction, and operation and of the conditions under which it is appropriate to use the Model, including any limitations of the Model. 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. Be satisfied that the Model is subject to appropriate controls. This should typically include a change control process that:
 - a. Avoids unauthorized changes to the Model;
 - b. Documents any changes made and any material impact on the Model; and
 - c. Allows any changes to be reversed.
- 2.10.6. When the results or output of a Model run are to be used:
 - a. Be satisfied that the conditions to use the Model are met;
 - b. Be satisfied that there are appropriate controls on inputs and outputs of the Model;
 - c. Consider whether the model validation described in paragraph 2.10.2. should be performed in whole or in part;
 - d. Understand, and where appropriate explain, material differences between different runs of the Model, and be satisfied that there is an adequate control process for production runs. In the case of stochastic Models, be satisfied that a sufficient number of runs of the Model are made and understand the significant differences between different runs of the Model;
 - e. Understand any management actions or responses assumed within the Model. The Member should disclose such management actions or responses assumed and their broad implications in any Report; and
 - f. Document, where appropriate, limitations, inputs, key assumptions, intended uses, and model output.

2.11 Process Management

- 2.11.1 Process Controls - The Member should consider 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 - The Member should review the results produced by the selected assumptions and methodology for overall reasonableness.

2.12 Peer Review

The Member should consider to what extent, if at all, it is appropriate for any Report to be independently reviewed, in totality or by component, before the final version of that Report is delivered to the Principal or distributed to the Intended Users. The purpose of peer review is to support the quality of a Report, with the process tailored to the complexity of the Work and the specific environment in which the Member works. If a peer review is deemed to be appropriate:

2.12.1 The Member should select a reviewer who is suitably independent of the specific component(s) reviewed and is knowledgeable and experienced in the practice area of the Applicable Services.

2.12.2 If the reviewer is a Member, the reviewer should comply with the guidance in any relevant Professional Standard or Practice Guideline, in performing the review.

2.13 Treatment of Subsequent Events

The Member should consider any Subsequent Event that has the potential of materially changing the results of the Applicable Services if the event had been reflected in the Work and disclose such an event in any Report.

2.14 Retention of Documentation

- 2.14.1 The Member should retain, for a reasonable period of time, sufficient documentation for purposes such as:

- a. Peer review, regulatory review, and audit;
- b. Compliance with Law; and
- c. Assumption of any recurring assignment by another Member.

2.14.2 Documentation is sufficient when it contains enough detail for another Member qualified in the same practice area to understand the Work and assess the judgments made.

2.14.3 Nothing in any Applicable PPD is intended to give any person access to material beyond the access that they are already authorized to have.

3. COMMUNICATION

3.1. General Principles

Any Communication should be appropriate to the particular circumstances and take the skills, understanding, levels of relevant technical expertise, and needs of the Intended User into consideration to allow the Intended User to understand the implications of the Member's Communication.

3.1.1. Form and Content - The Member should determine the form, structure, style, level of detail, content and relevant disclosures of each Communication to be appropriate to the particular circumstances, taking into account the Intended Users.

3.1.2. Clarity - The Member should word each Communication to be clear and use language appropriate to the particular circumstances, taking into account the Intended Users.

3.1.3. Timing of Communication - The Member should issue each Communication within a reasonable time period. The timing of the Communication should reflect any arrangements that have been made with the Principal. The Member should consider the needs of the Intended Users in setting the timing.

3.1.4. Identification of the Member - A Communication shall clearly identify the issuing Member. When two or more individuals jointly issue a Communication, at least some of which is actuarial in nature, the Communication shall identify all responsible Members, unless the Members judge it inappropriate to do so. The name of an organization with which each Member is affiliated may also be included in the Communication, but the Member's responsibilities are not affected by such identification. Unless the Member judges it inappropriate, any Communication shall also indicate to what extent and how supplementary information and explanation can be obtained from the Member or another party.

3.2. Report

The Member should complete a Report, including relevant disclosures, unless any Intended Users will otherwise be adequately informed about the output of the Applicable Services (including access to the supporting information which is necessary to understand the outputs and disclosures). A Report is consistent with accepted practice if it contains sufficient information and discussion to enable the Member who prepared the report to reasonably believe that any Intended Users or a Member reviewing the Report will be able to form a view on the appropriateness and implications of the Member's recommendations.

3.2.1. Content - The Member should include in any Report, if applicable:

- a. The scope and intended use of the Report;
- b. The terms of reference provided to the Member and any instructions agreed with the Principal;
- c. The output from the Applicable Services, including the potential impact of variability on those outputs and drawing attention to any Material implications of the results;
- d. The methodology, assumptions, Data and other information used;

- e. A description of Material risks and uncertainties;
 - f. Any restrictions on distribution;
 - g. The date of the Report; and
 - h. Identification of the authorship of the Report.
- 3.2.2. Disclosures - The Member issuing a Report should disclose in that Report, if applicable:
- a. Any material deviation from the guidance in the Applicable PPD (1.4);
 - 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 validation (2.5.2), adjustments (2.5.3), modification (2.5.4), and deficiencies (2.5.5);
 - e. Any margins for adverse deviations in assumptions or methodology (2.7.3);
 - f. Any material inconsistency in the assumptions and methodology used (2.7.6);
 - g. Assumptions and methodology that have been prescribed by another party which the Member does not support (2.8.2 and 2.8.3);
 - h. Assumptions and methodology that are mandated by Law (2.9);
 - i. The limitations, and uncertainties, of any Model used for the Work, and their broad implications (2.10.3);
 - j. The management actions or responses assumed in any Model used for the Work, and their implications (2.10.6.e); and
 - k. Any material Subsequent Event (2.13).
- 3.2.3. Authorship - The Member issuing a Report should include in the Report:
- a. The Member's name;
 - b. If applicable, the name of the organization on whose behalf the Member is issuing the Report, and the Member's position held;
 - c. The capacity in which the Member serves;
 - d. The Member's qualifications;
 - e. The Code and actuarial standards under which the Work was performed, if there is any possible ambiguity; and
 - f. If applicable, attestations and reliances.
- 3.2.4. Form - A Report may comprise one or several Communications that may exist in several different formats:
- a. Where a Report comprises multiple Communications, the Member should communicate to each Intended User which Communications compose the Report;
 - b. Where advice has been provided in a piecemeal fashion over a period of time, the Member should consider whether the advice makes sufficient reference to

- previous advice, and whether it is necessary to provide a Report that draws together the various pieces of advice;
- c. Where a Member has prepared a précis to a Report, an addendum to a Report or a new Report that relates to a previous Report, the Member should clearly identify the previous Report; state any differences in advice to the previous Report; state that the new advice should be read in conjunction with the previous Report; restate, make reference to, or, if necessary, revise any limitations or qualifications that were present in the previous Report; and take reasonable steps such that any third parties who have been provided with a précis, addendum, new Report or previous Report are made aware of the status of these documents and how they relate to each other;
 - d. The Member should create Report components (especially those in electronic media) in such a way that they can be reliably reproduced for a reasonable period of time;
 - e. In certain circumstances, it is considered acceptable for a Member to prepare a short form of a Report, provided that such a short form of a Report is accurate, not misleading and contains sufficient information to enable its subject matter to be put into proper context by its Intended Users. A Member should use his or her Professional Judgement and exercise discretion in determining what needs to be included in such a short form Report, having regard to the Code, the guidance set out in any Applicable PPD and normal commercial practice;
 - f. In circumstances where a Member becomes aware that a Report prepared by him or her is no longer relevant or applicable and the Member reasonably believes that that Report continues to be relied upon by a Principal or knows that the Report has been provided to third parties who may rely on and be materially affected by any advice in it, then the Member should notify the Principal and any relevant third parties that the Report is no longer relevant or applicable; and
 - g. In any draft Report given to the Principal there should be a prominent indication that the Report is in draft form.
- 3.2.5. Constraints - The content of a Report may be constrained by circumstances such as legal, legislative, regulatory, or supervisory proceedings. Constraints could also include other standards such as financial reporting standards or an organization's accounting policy. The Member should follow the guidance on disclosure in any Applicable PPD relevant to the Member to the extent reasonably possible within such constraints.

END OF PRACTICE GUIDELINE

APPENDIX: COMPILATION OF DIFFERENCES BETWEEN PG 1 AND ISAP 1

- i. Hyperlinks removed and replaced with capitalised terms.
- ii. Formatting and paragraph number changes made.
- iii. References to ISAP changed to Practice Guideline (PG) or Applicable PPD. Applicable PPD defined in the Glossary as: A Professional Standard or Practice Guideline that covers Applicable Services.
- iv. The term "actuary" changed to "Member".
- v. The term "actuarial services" changed to "Applicable Services". Applicable Services defined in the Glossary as: Services that are designated in an Institute Professional Standard or Practice Guideline as being Applicable Services.
- vi. Added a new Section 1.2 "Classification", which sets out the basis on which the PG was prepared, that it is not mandatory and that a Member should consider explaining any significant departure from the PG to the Principal and record such explanation.
- vii. Section 1.3 Scope (was Section 1.2 of ISAP 1):
 - a. ISAP 1 states that it applies to all actuarial services performed by an actuary unless an element of guidance is explicitly superseded by another standard such as a practice-specific standard or by law.
 - b. PG 1 states that it applies to a Member providing Applicable Services; and, as such, PG 1 is an Applicable PPD. However, if PG 1 conflicts with legislation, or the Institute's Code or a Professional Standard of the Institute, then the legislation, Code or Professional Standard takes precedence. In such cases, the remaining clauses (or parts of those clauses) of PG 1 which are not in conflict continue in full force and effect. For Services that do not fall within the scope of PG 1, Members are encouraged to consider the guidance provided in this PG, if appropriate, when performing such services.
- viii. Deleted Section 1.2.2 of ISAP 1 dealing with potential situations where a practice-specific standard defines a practice as acceptable, which would not be acceptable under ISAP 1. This situation is effectively covered by the amendments to Scope described above, which give precedence to a Professional Standard; hence the Section is redundant.
- ix. Section 1.4.2 (was Section 1.3.2 of ISAP 1): Changed "actuarial code of professional conduct applicable to the work" to "Code"; "Code" is defined as Code of Conduct of the Institute. Expanded the section such that compliance with a Professional Standard of the Institute that conflicts with the Applicable PPD would not be a deviation from the Applicable PPD.
- x. Section 1.4.3 (was Section 1.3.3 of ISAP 1): If guidance is expressed as "must", added a requirement to disclose the nature, rationale and effect of any departure from the guidance under sections 1.4.1 or 1.4.2.

- xi. Section 1.5 (was Section 1.4 of ISAP 1): ISAP 1 states that compliance with ISAP 1 is a prerequisite to compliance with all other ISAPs. PG 1 states that compliance with PG 1 is a prerequisite to compliance with all other Applicable PPDs.
- xii. Section 1.5.3 (was Section 1.4.3 a of ISAP 1): ISAP 1 states that a Member who is not the team leader should treat the team leader as the user and interpret the Applicable PPD within that context. PG 1 states that a Member who is not the team leader should comply with the requirements of the Applicable PPD as relevant to their contribution to the Services.
- xiii. Section 1.5.4 b (was Section 1.4.4.b of ISAP 1): Changed the requirement for a Member to be prepared (if challenged by the Institute) to describe certain circumstances, to a requirement that the Member should record these circumstances.
- xiv. Section 1.7.1 a: Added a requirement for a Member to disclose a departure from an Applicable PPD in line with paragraph 1.4.3.
- xv. Section 1.7.2 (was Section 1.6.2 of ISAP 1): Included the Code as a source of capitalised (defined) terms. Deleted references to hyperlinks.
- xvi. Section 1.8 (was Section 1.7 of ISAP 1): Deleted reference to the Adoption Date being shown on the cover page of the PG. Changed "must consider" to "should consider".
- xvii. Section 1.9 (was Section 1.8 of ISAP 1): Effective date has been inserted.
- xviii. Section 2.1.2: Deleted two optional clauses that are not relevant in an Australian context. Changed "applicable code of professional conduct" to "Code".
- xix. Section 2.2: Added a comment to remind Members of their professional competence obligations under the Code.
- xx. Section 2.5.5 c: Changed "actuary's code of professional conduct" to "Code".
- xxi. Section 2.8.3: The disclosure requirements in this section are expanded to include disclosure to the Principal as well as any other party.
- xxii. Section 2.8.4: This is a new section which adds a comment to remind Members of their obligations under the Code, in relation to Sections 2.8.2 and 2.8.3.
- xxiii. Section 2.12: The term "final Report" was replaced with "final version of that Report". The term "ensure" was replaced with "support".
- xxiv. Section 2.12.1: This section was amended to clarify the nature of the independence requirement for a peer reviewer.
- xxv. Section 2.12.2: The term "applicable actuarial standard" was replaced with "relevant Professional Standard or Practice Guideline".
- xxvi. Section 3.2: This section was reworded to be consistent with the reporting principle previously included in PG199.01 – Prescribed Actuarial Advice Reporting.
- xxvii. Section 3.2.1:
 - a. Added requirement to disclose the terms of reference provided to the Member and any instructions agreed with the principal.

- b. Added the phrase “and drawing attention to any Material implications of the results”.
 - c. Added requirement to provide a description of Material risks and uncertainties.
- xxviii. Section 3.2.3 e): Replaced “code of professional conduct” with “Code”.
- xxix. Section 3.2.4: This section was expanded to include material previously included in PG 199.01.
- xxx. Section 3.2.5: The term “actuarial standard applicable to” was replaced with “Applicable PPD relevant to”.