

Glossary of Defined Terms Used in Malaysian Standards of Actuarial Practice

Glossary of Defined Terms Used in MSAPs

This glossary is the single repository of all defined terms used in the Malaysian Standards of Actuarial Practice (MSAPs) governing Actuarial Society of Malaysia (ASM) members. It is not an MSAP and has no authority of its own. However, any defined term used in an MSAP takes the authority of that MSAP or adaptation. Defined terms and references to MSAP 1 are indicated in MSAPs in blue text with a dotted blue underline (e.g. [defined term](#)).

The terms in green text with a double underscore (e.g., [insurance contract](#)) are terms defined in the relevant [IFRSs](#).

Accepted Actuarial Practice (MSAP 1) – A practice or practices that are generally recognized within the actuarial profession as appropriate to use in performing [actuarial services](#) within the scope of an MSAP or the applicable professional standards of practice.

Accounting Policies (MSAP 3, 4) – As defined by the International Accounting Standards Board (IASB) in paragraph 5 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, “the specific principles, bases, conventions, rules and practices applied by a [reporting entity](#) in preparing and presenting financial statements.”

Actuarial Services (MSAP 1, 2, 3, 4, 5, 6) – Services based upon actuarial considerations provided to [intended users](#) that may include the rendering of advice, recommendations, findings, or [opinions](#).

Actuary (MSAP 1, 2, 3, 4, 5, 6) – An individual member of one of the member associations of the [ASM](#).

Adoption Date (MSAP 1, 6) – The date on which this MSAP was adopted as a final document by the [ASM](#) Council.

Anti-selection (MSAP 4) – The tendency to exercise choices or options to the detriment of another party when it is to one’s advantage to do so whether at outset or over time.

Communication (MSAP 1, 2, 3, 4, 5, 6) – Any statement (including oral statements) issued or made by an [actuary](#) with respect to [actuarial services](#).

Constructive Obligation (MSAP 3) – As defined by the IASB in paragraph 10 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as amended in October 2010, by IFRS 9, *Financial Instruments*: “an obligation that derives from a [reporting entity](#)’s actions where:

- a. by an established pattern of past practice, published policies or a sufficiently specific current statement, the [reporting entity](#) has indicated to other parties that it will accept certain responsibilities; and
- b. as a result, the [reporting entity](#) has created a valid expectation on the part of those other parties that it will discharge those responsibilities.”

In paragraph 4(c) of [IAS 19 Employee Benefits](#), the IASB further states “Informal practices give rise to a constructive obligation where the [reporting entity](#) has no realistic alternative but to pay [employee benefits](#).”

Data (MSAP 1, 2, 3, 4, 5) – Facts often collected from records, experience, or observations. Data are usually quantitative but may be qualitative. Examples of data include membership or policyholder details, claims details, asset and investment details, operating expenses, benefit definitions, and policy terms and conditions. Assumptions are not data, but data are commonly used in the development of actuarial assumptions.

Employee Benefits (MSAP 3) – As defined by the IASB in paragraph 8 of [IAS 19 Employee Benefits](#), as amended through September 2014: “all forms of consideration given by a [reporting entity](#) in exchange for service rendered by employees or for the termination of employment.”

Enterprise Risk Model (MSAP 5) – Those [models](#) that are developed to comprehensively and consistently evaluate the risks of an organization. Examples include internal models as specified by the International Association of Insurance Supervisors (IAIS), and capital models.

Financial Analysis (MSAP 2) – Any formal actuarial analysis. What constitutes a formal actuarial analysis is a matter for the [actuary](#)'s judgment but might include work required by law and work requested by the principal to inform decisions. A financial analysis might include but is not limited to:

- a. Determination of discounted point in time values,
- b. Projection of cash flows and associated fund values, and
- c. Determination of future contribution rate(s).

General Measurement Approach (MSAP 4) – The basis for measuring [insurance contracts](#) set out in [IFRS 17](#), except where [IFRS 17](#) permits a simplification (in the case of the [premium allocation approach](#)) or is modified (in the case of the [variable fee approach](#))

ASM (MSAP 1, 2, 3, 4, 5, 6) – The Actuarial Society of Malaysia.

IAS 19 (MSAP 3) – International Accounting Standard 19 Employee Benefits, including any Interpretations from the International Financial Reporting Interpretations Committee or the Standing Interpretations Committee thereon, as issued through September 2014.

IFRS 17 (MSAP 4) – International Financial Reporting Standard 17 Insurance Contracts, including any interpretations from the International Financial Reporting Interpretations Committee thereon, as issued through 16 August 2019.

International Financial Reporting Standards (IFRSs) (MSAP 3, 4) – As defined by the IASB in paragraph 7 of IAS 1 *Presentation of Financial Statements*, as amended in June 2011, by *Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)*: “Standards and Interpretations issued by the International Accounting Standards Board (IASB). They comprise:

- a. International Financial Reporting Standards;
- b. International Accounting Standards; and
- c. [International Financial Reporting Interpretations Committee] IFRIC Interpretations; and
- d. [the former Standing Interpretations Committee] SIC Interpretations.”

Intended User (MSAP 1, 2, 3, 4, 5, 6) – Any legal or natural person (usually including the [principal](#)) whom the [actuary](#) intends to use the output of the [actuarial services](#) at the time the [actuary](#) performs those services.

Law (MSAP 1, 2, 3, 4, 5, 6) – Applicable acts, statutes, regulations or any other binding authority (such as accounting standards and any regulatory guidance that is effectively binding).

Measurement Date (MSAP 3, 4) – The date as of which the value of an asset or liability is presented, whether or not the actual calculations have been made as of a different date and rolled forward or back to the measurement date.

Model (MSAP 1, 2, 3, 4, 5, 6) – A simplified representation of relationships among organizations or events using statistical, financial, economic, or mathematical concepts. A model has a specification, uses assumptions, [data](#), and methodologies to produce results that are intended to provide useful information on that system.

Model Governance (MSAP 1) – The application of a set of procedures and an organizational structure designed so that [intended users](#) can place their confidence in the results of the [model](#).

Model Risk (MSAP 1) – The risk that, due to deficiency in the [model](#) or in its use, an [intended user](#) of the results of the [model](#) will draw an incorrect conclusion from those results.

Opinion (MSAP 1, 2, 3, 6) – An opinion expressed by an [actuary](#) and intended by that [actuary](#) to be relied upon by the [intended users](#).

Principal (MSAP 1, 2, 3, 4) – The party who engages the provider of [actuarial services](#). The [principal](#) will usually be the client or the employer of the [actuary](#).

Professional Judgment (MSAP 1, 3, 5) – The judgment of the [actuary](#) based on actuarial training and experience.

Report (MSAP 1, 2, 3, 4) – The [actuary](#)'s [communication\(s\)](#) presenting some or all of the output of [actuarial services](#) to an [intended user](#), including any results, advice, recommendations, findings and [opinions](#) in any recorded form, including paper, word processing or spreadsheet files, e-mail, website(s), slide presentations, and audio or video recordings.

Report Date (MSAP 2) – The date on which the [actuary](#) issues a [report](#) to [intended users](#). It usually follows the [valuation date](#).

Reporting Entity (MSAP 3) – As defined by the IASB in paragraph 8 of *Framework for the Preparation and Presentation of Financial Statements*, adopted in April 2001: “an entity for which there are users who rely on the financial statements as their major source of financial information about the entity.”

Reverse Stress Test (MSAP 6) – A process for identifying events or scenarios that would lead to a predetermined adverse outcome for an organization.

Scenario Test (MSAP 5, 6) – A process for assessing the impact of one possible event or several simultaneously or sequentially occurring possible events on an organization's financial position.

Social Security Program (MSAP 2) – A program with all the following attributes regardless of how it is financed and administered:

1. Coverage is of a defined segment, or all, of the population, often on a compulsory or automatic basis;
2. Benefits are provided to, or on behalf of, individuals;
3. The program, including benefits and financing method, is prescribed by [law](#);
4. The program is not financed through private insurance;
5. Program benefits are principally payable or delivered upon old age, retirement, death, disability, and survivorship, and the following benefits (if provided) are only ancillary to the principal benefit(s):
 - a. Unemployment benefits;
 - b. Medical expenses;
 - c. Benefits provided due to work-related injuries, work-related death or occupational diseases;
 - d. Short term social assistance benefits (e.g. food stamps);
 - e. Benefits provided for disaster relief (e.g. insurance, or recovery funding, for flood, drought, hurricane/typhoon, earthquake/tsunami); and
 - f. Financial insurance or financial guarantees (e.g., for loans, bank deposits, pension payments, financial securities, insurance payments from insolvent insurers).

SSP (MSAP 2) – [Social Security Program](#)

Stress Test (MSAP 5, 6) – A process for measuring the impact of adverse changes in one or relatively few factors affecting an organization’s financial position.

Subsequent Event (MSAP 1) – An event of which the [actuary](#) becomes aware after the [valuation date](#) (or date to which the [actuarial services](#) refer) but before the [actuary](#)’s [communication](#) on the results of these [actuarial services](#) is delivered.

Valuation Date (MSAP 2, 5) – The effective date of the analysis by the [actuary](#). It usually precedes the [report date](#).

Variable Fee Approach (MSAP 4) –The approach that is a modification of the [general measurement approach](#) for the valuation of [insurance contracts with direct participation features](#), as set out in [IFRS 17](#).

Work (MSAP 1, 2, 3, 4, 5, 6) – All actuarial activities performed by an [actuary](#) related to [actuarial services](#). It usually includes acquisition of knowledge of the circumstances of the assignment; obtaining sufficient and reliable [data](#); selection of assumptions and methodology, calculations, and examination of the reasonableness of their result; use of other persons’ work; formulation of opinion and advice; documentation; reporting; and all other [communication](#).