

Memorandum

To: All Fellows, Affiliates, Associates, and Correspondents of the Canadian Institute of Actuaries and Other Interested Parties

From: Jim Christie, Chair
Actuarial Standards Board

Simon Curtis, Chair
Designated Group

Date: June 22, 2015

Subject: **Notice of Intent to Incorporate Principles of International Standard of Actuarial Practice 4 – Actuarial Practice in Relation to IFRS X Insurance Contracts into the Canadian Standards of Practice**

Comment Deadline: **August 31, 2015**

Document 215050

INTRODUCTION

The International Accounting Standards Board (IASB) is developing IFRS X for the valuation of insurance contracts under International Financial Reporting Standards (IFRS). The Canadian Accounting Standards Board has indicated its intention that, once adopted by the IASB, and subject to its due process, IFRS X will be adopted without modification for the valuation of insurance contracts in Canadian GAAP financial statements.

These developments will require changes to the Canadian actuarial standards of practice (SOP), as the valuation methods under IFRS X are significantly different from the existing methods of valuation of insurance contracts in Canada. On the adoption of IFRS X in Canada, large portions of the existing sections 2100 (insurance valuation: all insurance), 2200 (P&C valuation), and 2300 (life and health valuation), and part 5000 (public personal injury compensation plans) will no longer be relevant to the valuation of insurance contracts in Canadian generally accepted accounting principles (GAAP) financial statements.

On September 13, 2014, the Council of the International Actuarial Association approved a statement of intent to develop an International Standard of Actuarial Practice (ISAP 4) in relation to IFRS X. This ISAP, when adopted, is intended to cover actuarial practice in support of valuation of insurance contract liabilities in accordance with IFRS X.

The Canadian actuarial standards will continue to apply to all work performed in Canada. The requirements of ISAP 4 will only apply to work performed in Canada once they are incorporated into the Canadian actuarial standards. The Actuarial Standards Board (ASB) is of the view that it would be desirable to ensure that actuarial work in compliance with Canadian actuarial standards of practice is also in compliance with ISAP 4.

Therefore, it is proposed that a new part YYYY on valuation of insurance contracts under IFRS X be developed to apply to Canadian actuaries doing valuation of insurance contract liabilities in accordance with IFRS X. The foundation for this new part will be ISAP 4. The goal is to keep the actual ISAP 4 text largely unaltered within part YYYY. To ensure proper integration with the other portions of the SOP, the introduction to part YYYY will include a description of how this section integrates with the rest of the SOP, including the scope of application of this part (to insurance contract valuations under IFRS X) and a glossary defining terms used in this part and how they map to the terminology and definitions used elsewhere in SOP.

This approach is intended to minimize the potential for unintended “in Canada” interpretations of the guidance in ISAP 4 caused by differences in text and terminology. In addition, we believe this approach will make it easier to maintain our standards as ISAP and IFRS standards change in the future and will make the part easier for members to use.

In taking the approach of using the ISAP 4 text largely unaltered, the assumption is that ISAP 4 will be of appropriate quality and level of detail for our standards. Should this not be the case, more substantive modifications of the ISAP 4 content may be necessary. If there is a need to provide additional guidance in part YYYY beyond that contained in ISAP 4, the intent is to keep the additional requirements distinct from the incorporated ISAP 4 text.

To ensure that the SOP remain complete and coherent, the remaining sections of the SOP will be reviewed to see if any changes are necessary to accommodate the new part YYYY and whether some or all of sections 2100, 2200 and 2300, and part 5000 should be retained (for example, if they are still needed for regulatory reporting).

DESIGNATED GROUP

The ASB had appointed the following individuals to the designated group to develop the revisions to the Canadian SOP: René Chabot, Jim Christie, Simon Curtis (chair), Micheline Dionne, Richard Gauthier, Mike Hale, Wendy Harrison, Dave Pelletier, Cynthia Potts, Rebecca Rycroft, Lesley Thomson, and Jacques Tremblay.

TIMELINE

The ASB plans to publish an exposure draft in the second half of 2016 and the final standards before the end of 2017 with an effective date coincident with the adoption in Canada of IFRS 4.

YOUR FEEDBACK

The ASB is soliciting feedback on this notice of intent (NOI) from members of the CIA and other stakeholders. Comments are invited **by August 31, 2015**. Please send them to

Simon Curtis at scurtis@municre.ca, with a copy to Chris Fievoli at chris.fievoli@cia-ica.ca. No other forums for obtaining feedback are currently contemplated.

The ASB's due process has been followed in the development of this NOI.

JC, SC