

Memorandum

To: All Fellows, Affiliates, Associates, and Correspondents of the Canadian Institute of Actuaries, and other interested parties

From: Conrad Ferguson, Chair
Actuarial Standards Board
Mark Simpson, Chair
Designated Group on Part 5000

Date: August 25, 2017

Subject: **Notice of Intent to Revise the Practice-Specific Standards for Public Personal Injury Compensation Plans (Part 5000)**

Deadline for comments: **October 31, 2017**

Document 217087

Introduction

The Actuarial Standards Board (ASB) is undertaking a review of all aspects of the practice-specific standards for Public Personal Injury Compensation Plans (Part 5000).

The terms of reference of the ASB require that each part of the standards be reviewed at least once every five years. The current review of part 5000 is being conducted as part of the ASB's periodic review process.

The ASB's primary goals for the review are to

- Provide additional clarity;
- Broaden the scope to provide more complete and appropriate information to the stakeholders to enable more informed decision-making; and
- Address potential inconsistencies with other standards.

This notice of intent (NOI) outlines proposed revisions arising from this review and seeks feedback on changes to consider.

Background

As defined in the General Standards (Part 1000), "Public personal injury compensation plan means a public plan

whose primary purpose is to provide benefits and compensation for personal injuries,

whose mandate may include health and safety objectives and other objectives ancillary to the provision of benefits and compensation for personal injuries, and that has no other substantive commitments.

The benefits and compensation provided under such public plans are defined by statute. In addition, such public plans have monopoly powers, require compulsory coverage except for those groups excepted by legislation or regulation, and have the authority to set assessment rates or premiums.”

Public personal injury compensation plans (PPICPs) currently encompass all public workers’ compensation systems and the Société de l’assurance automobile du Québec (SAAQ).

Specific standards of practice for PPICPs were first adopted in 1994 to provide additional guidance to members practising in this area. These standards were revised in 2011 to reflect evolving practices in the profession and to enhance consistency with other practice areas where appropriate.

To date, the actuarial standards of practice have recognized the unique nature of PPICPs, including the following:

- A wide range of governing statutes, strategic directions, management policies and appeal processes, which can vary significantly by jurisdiction and change from time to time (sometimes retroactively);
- Complex and potentially variable benefit structures created by legislation, encompassing aspects such as indexed benefits, open-ended claims, long-term health care and disability benefits, occupational disease claims and presumptive coverages; and
- Other issues, such as compulsory coverage with little or no underwriting, funding of unfunded liabilities, intergenerational equity, self-insured employers, health and safety mandates and monopoly powers.

It is intended that any changes to the Standards of Practice would continue to take into account the unique nature of PPICPs.

Finally, the forthcoming implementation of International Financial Reporting Standard (IFRS) 17 will change how PPICPs measure their liabilities for financial reporting purposes. The full implications of IFRS 17 for PPICPs are not clear at this time. Thus, the potential impact of IFRS 17 on PPICP financial reporting standards will not be covered by this update of Part 5000. Specific changes required to the Standards in response to IFRS 17 are being addressed by another designated group (DG).

Overview of the Proposed Changes to Part 5000 and Desired Outcomes

The DG will give preference to expressing general principles in part 5000 rather than detailed instructions. In addition, the DG will also review the standards for consistency in formatting and terminology with other sections.

Wording changes, additional detail, and reordering of sections will be considered to improve the clarity of the standard.

Where appropriate, changes will be considered to enhance consistency with other areas of practice. The key is to identify where consistency with other practice areas is appropriate. As noted above, PPICPs have a number of unique features that often support a different method or approach than used in other practice areas. The DG will consider revisions to converge with other areas of practice while at the same time respecting the unique nature of PPICPs.

Part 5000 currently focuses primarily on the valuation of liabilities for the purposes of financial reporting, with some references to funding. With the approaching implementation of IFRS 17, there may be a greater incentive for PPICPs to consider separate valuations for funding and financial reporting purposes. In anticipation of this, the DG will consider developing a clearer distinction in the standards between valuations for the purpose of financial reporting versus those for the purpose of funding. As part of this, the DG may need to develop more complete standards for the valuation of liabilities for funding purposes. This may involve restructuring the components of the current part 5000 to allow for this distinction. As noted earlier, the DG will not be considering changes to the Standards in order to address the specific terms of IFRS 17 which are being reviewed by another DG.

Specific Questions

The ASB is also requesting feedback on the following questions:

1. How should part 5000 clearly distinguish between valuations for funding purposes versus those for financial reporting purposes? What additional standards are needed for valuations for funding purposes?
2. Are there any specific areas in part 5000 where changes should be considered to enhance consistency with other practice areas?
3. Is additional content needed in the standard on the valuation of future cash flows related to workplace exposures accrued prior to the valuation date, specifically the types of diseases/injuries to include and the valuation methods?
4. Should part 5000 include standards for setting premium/assessment rates? If so, what should be included in such a standard?
5. Should part 5000 include additional content for practitioners costing benefit changes contemplated by a PPICP?
6. Are there any other items that should be added, removed, or clarified in part 5000? Are there certain items that would be better addressed through new educational guidance rather than standards?

Timeline

The ASB aims to publish an exposure draft by the end of 2017 with final standards effective on or after July 1, 2018. However, the ultimate timeline for the review will depend on the feedback received and could vary from the targets given above.

Your Feedback

The ASB is soliciting feedback on this NOI from members of the CIA and other stakeholders including the CIA Committee on Workers' Compensation, the individual workers' compensation boards, the Association of Workers' Compensation Boards of Canada, and the SAAQ. **It is interested in feedback not only with respect to the changes contemplated as described in this NOI but in any other changes that respondents believe would be desirable.** Comments on the proposed changes are invited by October 31, 2017. Please send them to Mark Simpson at msimpson@morneaushepell.com, with a copy to Chris Fievoli at chris.fievoli@cia-ica.ca. No other forums for obtaining feedback are contemplated.

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

The DG responsible for developing these changes to the standards consists of Sheldon Lin, Marie-Eve Morency, Jean-François Poitras, Kamran Quavi, Frédéric Saillant, Mark Simpson (Chair), and Mike Williams.

CF, MS