



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
Stéphanie Fadous, Chair
Designated Group on LICAT (LICAT DG)

Date: February 22, 2018

Subject: **Revisions within the Practice-Specific Standards for Insurance (Sections 2400 and 2500)**

Document 218024

Introduction

Changes to the practice-specific standards for insurance (sections 2400 and 2500) were approved for distribution by the Actuarial Standards Board (ASB) on February 20, 2018. Due process has been followed in the development of this standard.

A [notice of intent](#) (NOI) to provide the background and general information on these proposed changes was distributed by the ASB on October 14, 2016 and an [exposure draft](#) (ED) was distributed on July 13, 2017.

Background

The Office of the Superintendent of Financial Institutions (OSFI) published new capital guidelines in November 2017 and the Autorité des marchés financiers (AMF) published them in January 2018; these guidelines became effective January 1, 2018.

In 2016, the ASB formed a designated group on Life Insurance Capital Adequacy Test (DG LICAT) to review the practice-specific standards for insurance (part 2000) and assess whether changes were required in light of the new capital guidelines, LICAT, or the Capital Adequacy Requirements Guideline for Life and Health Insurance (CARLI).

Feedback from Stakeholders

The DG LICAT solicited input from various stakeholder groups in the development of the ED. These included regulatory stakeholders such as OSFI and AMF, various CIA

committees (the Committee on Life Insurance Financial Reporting (CLIFR), the Committee on the Appointed/Valuation Actuary, and the Committee on Risk Management and Capital Requirements (CRMCR)), and the CIA membership (through the distribution of the NOI and the ED).

The DG LICAT appreciates the feedback received and has taken it into account in the revision of the standards. The following section of this memorandum outline the major issue that was raised by stakeholders and considered by the DG LICAT.

Summary of Major Issue Raised by Stakeholders and Proposed Response

The following paragraph summarizes the key issue stakeholders raised and the rationale for the response to this issue within the final standards.

Promulgation of Prescribed Mortality Improvements Rates

The promulgation prescribes the minimum basis for future mortality improvement assumptions in insurance but does not prescribe a best estimate assumption, which is used in the LICAT calculation. The DG LICAT discussed the possibility of promulgating a best estimate assumption but determined no changes were required to the Standards and that the current standard led to appropriate actuarial practice with respect to the determination of insurance contract liabilities. Additional guidance on the topic, as it relates to LICAT, is provided in an educational note published by CLIFR and the CRMCR.

Members of the DG LICAT

The group responsible for the development of the revisions to these standards of practice consists of 12 members. They are Steve Bocking, Wally Bridel, Elizabeth Boulanger, Devon Esson, Stéphanie Fadous (Chair), Marco Fillion, Edward Gibson, Ritchie Hok, Éric Lemay, James Malin, Ralph Ovsec, and Lesley Thomson. Members of the DG, except for Mr. Hok, may all be contacted at their membership directory addresses.

Timeline and Effective Date

These final standards of practice are effective February 22, 2018. Early implementation is permitted.

CF, SF