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# Memorandum

**To:** All members of the Canadian Institute of Actuaries, and other interested parties

**From:** Edward Gibson, Chair  
Actuarial Standards Board

Josephine E. Marks, Chair  
Designated Group

**Date:** March 25, 2024

**Subject:** **Notice of Intent: Quinquennial Review of *Standards of Practice* Part 1000 – General Standards**

**Comment deadline:** **May 15, 2024**

Document 224037

## Introduction

The Actuarial Standards Board (ASB) has established a designated group (DG) to review Part 1000 of the *Standards of Practice* (General Standards or Part 1000) of the Canadian Institute of Actuaries (CIA). This review of the General Standards is being undertaken as part of the ASB's customary process of reviewing and potentially updating every part of the *Standards of Practice* (SOP) on a quinquennial basis. Part 1000 was last updated as a result of such a quinquennial review effective February 1, 2018.

The current General Standards were last updated on February 1, 2024. Recent changes pertained to updates to subsections 1510 and 1520 and the CPA Canada/CIA Joint Policy Statement (JPS), correction of a reference in the event decision tree of paragraph 1420.01 and changes corresponding to nomenclature for Part 6000. Several minor updates had also been made over the last few years, mostly related to addressing consistency with updates to practice-specific standards.

The mandate of the DG is:

- To perform a general review of Part 1000.
- To recommend any changes or additions to Part 1000 that may be warranted at this time.

Their mandate does not include a review of the JPS since it was just recently amended.

This notice of intent (NOI) outlines changes under consideration during this review, and it requests feedback on the revisions as part of the formal due process for amending the *Standards of Practice*. Other changes may be identified as the process unfolds for which the membership will have an opportunity to comment at later stages.

## Changes to Part 1000 that are under consideration

1. The DG is considering revisions to clarify that Part 1000 applies to all work of an actuarial nature performed in Canada, and not only when providing a formal actuarial opinion.
2. Changes related to subsection 1120 (“Definitions”) may include adding, modifying or deleting definitions. For example, the DG is considering adding the word “bias” to the definitions list to ensure that use of this term in the SOP is consistent with its use in statistics. Another revision related to this subsection would be to ensure that the defined term “credibility” is always linked back to this subsection when used elsewhere in the SOP.
3. Various changes will be proposed throughout Part 1000 to modify, replace or delete terminology pertaining to IFRS4 so as to achieve greater consistency with the terminology used under IFRS 17 within relevant practice areas.
4. Subsection 1220 (“Conflict with terms of engagement”) permits the actuary to accept an engagement that conflicts with accepted actuarial practice provided the actuary reports the conflict. The DG is concerned that subsection 1220 may be interpreted too broadly so as to permit actuaries to solicit such engagements and is considering providing guidance on the application of subsection 1220.
5. For subsection 1240 (“Materiality”) the DG is considering adding wording to specify that if a determination that a deviation from a particular recommendation or explanatory text is not material it should be reconfirmed when work is repeated.
6. Subsection 1320 (“Financial interest of the actuary”) indicates that the financial interest of the actuary should not influence the result of the actuary’s work. The DG is considering adding explanatory wording as to what might constitute a financial interest.
7. The parameters presented in paragraph 1350.02 to assess the circumstances affecting the work do not appear to be fully consistent with usage of this term elsewhere in practice specific standards. (For example, refer to paragraphs 2831.02, 3210.08, 3310.05, 3410.02, 4210.02, 6210.08, 6310.10, 6410.02 and 7210.02.) The DG is considering reviewing this paragraph to improve consistency with its usage in practice specific standards.
8. The DG is considering the following changes to subsections 1420 (“Event”) and 1430 (“Subsequent events”):
  - a. Clarification that events occurring before the calculation date, including definitive decisions and virtually definitive decisions with effective dates after the calculation date, would be reflected in the work of the actuary. This is currently only implicit from the decision tree in paragraph 1420.01.
  - b. Merge paragraphs 1430.02 and 1430.03 to reinforce the point that the two paragraphs are part of the same decision process as to whether an event is reflected in the work of the actuary or not.
  - c. Remove the first sentence in paragraph 1430.05 regarding the classification of events (“The actuary would correct an error revealed by a subsequent event.”) as it is already addressed (using the modal verb “should”) in paragraph 1430.01.
  - d. Paragraph 1430.11 addresses the inclusion of subsequent events in an actuarial report when the purpose is to reflect the entity as it will be after the calculation date. The DG is considering providing guidance to the actuary as to the determination of a cutoff date for such subsequent events.

9. The DG is considering amending existing paragraphs in subsection 1440 (“Data”) to incorporate the concept of credibility. The paragraphs are intended to be consistent with existing practice specific guidance and to facilitate the use of the concept in situations where practice specific guidance does not exist.
10. Risk classification is fundamental to actuarial work and inherent in the simplification of many actuarial models. The DG is considering adding paragraphs to subsection 1450 (“Models”) outlining issues and recommendations related to risk classification.
11. The DG is considering splitting subsection 1460 (“Quality Assurance”) into two parts to differentiate between a more formal (external) peer review process and a quality assurance process that may be an internal process.
12. The DG is considering expanding subsection 1510 (“Actuary’s use of another person’s work”) to allow for broader application of this to non-traditional practice areas where there may be more reliance on the work of other professionals. The DG is also considering adding clarification related to the reliance on work done by a predecessor, the nature of review that would be appropriate when assuming work from a previous actuary and the wording for an opinion where such reliance was placed.
13. Paragraph 1620.08 states that “The actuary may compensate for an inappropriate implicit assumption regarding a matter that the model specification does not take into account by altering the explicit assumption regarding a matter that the model does take into account.” The DG believes that “inappropriate assumptions” should never be used in any situation. The DG is considering rewording the sentence to refer to altering an explicit assumption within a model to compensate for inaccuracies due to modelling simplification only if it is appropriate for that particular circumstance.
14. The DG is concerned that the range of discount rates permissible by the application of paragraphs 1620.35 and 1620.36 is overly broad. The DG is considering adding wording to the effect that the levels of yield for fixed income instruments reflected in the discount rate would be set by reference to market yields at the calculation date, unless another approach is consistent with, and warranted by, the circumstances of the work.
15. Paragraph 1720.01 recommends content for an internal user report by reference to the requirements for an external user report. The DG intends to propose additions to this paragraph to provide greater clarity as to the expectations for the contents of an internal user report.

## Timeline

The ASB aims to publish an exposure draft before the end of summer 2024 with the revised General Standards to be effective no earlier than January 1, 2025. The ultimate timeline will depend on the feedback received and could vary from these targets.

## Desired feedback

The DG and ASB are soliciting feedback on this NOI from members of the CIA and any other interested parties.

Feedback is welcomed on the proposals described above as well as the following questions:

1. Are there any specific areas in Part 1000 where changes should be considered to enhance consistency among different practice areas?

2. Are there any other items that should be added, removed, moved elsewhere, modified or clarified in Part 1000?

Please send comments **by May 15, 2024** to Josephine Marks at [jmarks@eckler.ca](mailto:jmarks@eckler.ca) with a copy to [StandardsConsultationNormes@cia-ica.ca](mailto:StandardsConsultationNormes@cia-ica.ca). No other forums for obtaining feedback are contemplated at this time.

The members of the DG are Gavin Benjamin, Stephen Cheng, Amanda Chou, Simon Curtis, Dan Doyle, Steve Easson, Marco Fillion, Matthew Garnier, Faisal Gulamhussein, Josephine Marks (Chair) and Chris Townsend.

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

EG, JM



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