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Cong Wang
Financial Services Regulatory Authority of Ontario (FSRA)

Subject: Reliance on CIA Standards of Practice

We understand that FSRA is proposing a change to their regulatory oversight of rate filing, by referencing the CIA's *Standards of Practice* (SOP) rather than relying on descriptive regulatory guidelines. More specifically, FSRA is considering a direct reference to Section 2600 of the SOP (Ratemaking) in place of current regulatory requirements covering the areas of peer review, quality control, documentation, use of the work of others and the certificate of the actuary.

The CIA is very supportive of this new approach. We believe that principles-based regulation encourages a competitive and healthy market and helps to promote the visibility of the CIA in Canadian P&C actuarial communities. In light of that, we would like to offer the following comments.

Although discussions with FSRA are always welcome, we do not feel this is required before the release of your new guideline. Our SOP are already public, and actuaries are required to always follow them in their work, even without the explicit mention from regulators. However, we do not believe that it is within the CIA's mandate to determine whether the SOP are satisfactory for regulatory purposes. Rather, we expect that FSRA has conducted an internal assessment as to whether the coverage and level of details within the SOP are sufficient.

We understand that no modifications to the SOP are being requested at this point. The Actuarial Standards Board (ASB) will continue to operate independently of the CIA in the setting and revising of the SOP. However, we encourage FSRA to monitor proposed changes to the SOP and provide input to the ASB. Any revisions are first announced through a notice of intent, with an exposure draft of the new SOP to follow. Comments are welcome from CIA members and other interested parties at both of these stages.

We would like one clarification regarding the certificate of the actuary. When a CIA member signs the certificate to assert that all relevant SOP have been followed in the rate preparation, does FSRA expect to act as an auditor, and notify the CIA of any violations they may discover

in the filing approval process? And, if so, is your expectation that the CIA would be obliged to investigate and take action?

The CIA appreciates the opportunity to provide feedback on these issues, and we would welcome further discussion with you throughout this process.

If you have any questions, please contact Chris Fievoli, FCIA, Actuary, Communications and Public Affairs, at 613-236-8196 ext. 119 or chris.fievoli@cia-ica.ca.

Sincerely,

Steve Prince, FCIA
President, Canadian Institute of Actuaries



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