



Comments by Canadian Institute of Actuaries on Draft Statement of Intent to issue an International Standard of Actuarial Practice – Actuarial Services in relation to IFRS X Insurance Contracts (ISAP [4])

1. Do you agree an ISAP is needed on actuarial services in relation to IFRS X?

Yes

No

2. Are any of the proposed topics inappropriate for inclusion in ISAP [4]?

Yes

No

If yes, please explain why the particular topic should not be included in ISAP [4].

We support an approach whereby the ISAPs are principles-based, focusing on considerations, rather than being prescriptive.

3. What other topics should be included in ISAP [4]?

There are some topics that we believe should be included in the ISAP, and supported with International Actuarial Notes (IANs) to provide further guidance. We suggest that the following sections be added to the ISAP:

- a) Considerations related to onerous portfolios, which would include details on the addition of contracts to these portfolios, and how the contractual service margin would be unlocked on these portfolios.
- b) Considerations for defining or determining portfolios, specifically with respect to the level of aggregation used in the measurement of contracts.



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- c) Considerations for determining the contract boundary. This would include guidance around maturity dates, and determining how far liabilities should be valued. This would be particularly useful for liabilities such as term insurance and certain group insurance coverages.
- d) Considerations for determining the applicability of the Premium Allocation Approach.
- e) Considerations for determining discount rates when there are crediting rates linked to investment returns that do not qualify for a mirroring approach.
- f) Considerations related to participating contracts and any “pass-through” contracts where contract values are fully or partially related to an underlying investment return (e.g., where a mirroring approach is appropriate). We also recommend that a definition of “participating contracts” as well as additional considerations related to participating contracts be included.

4. Please use this space for any additional comments not covered above.

The Statement of Intent suggests that detailed procedures and assumptions for the re-measurement of the contractual service margin will be handled through an IAN. We believe that this topic is important enough to be included in the ISAP itself.

In the section entitled “Consideration when determining the level of aggregation of contracts in measurement”, we feel further guidance is needed in order to define the appropriate level of aggregation. Specifically, we suggest further details on the determination of the portfolio at which the Building Block Approach model is applied. (This would include onerous portfolios as well.)

In the section entitled “Considerations when determining the pattern of recognition of the Contractual Service margin”, we would like to see additional details on the following:

- The principles underlying the determination of interest rates for the accretion of the contractual service margins;
- How the interest rates are used in the pattern of recognition;
- When and how to unlock the contractual service margin; and
- What liabilities should and should not have contractual service margins (e.g., group insurance, claims liabilities).

In the section entitled “Considerations for determining current interest rates”, we would suggest including guidance on the determination of interest rates where rates are sparse or non-observable. Specifically, additional information is needed on how the valuation rate should be determined for liabilities that extend beyond the observable rate period. This will be particularly important for business written in



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Canada. In addition, with insurance company business becoming more international, sovereign risk is increasing and we suggest that it be addressed in the considerations for determining interest rates.

We suggest that the IAA limit the “Considerations for the actuary in supporting the *reporting entity* in complying with the presentation and disclosures requirements of IFRS X” in the standard to actuarial items to be disclosed. We believe there is also a need for an IAN on disclosure to expand on the actuarial areas discussed in the standard, and to provide guidance on non-actuarial areas of disclosure where actuarial involvement would be expected.

5. Please provide the name of the person completing the consultation response, association and email address for further clarifications (if needed).

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IMPORTANT: Please check if the relevant check boxes are ticked appropriately and save the file renamed with the organization’s or individual’s name (e.g., SOI_CommentTemplate_[NAME].Doc). E-mail the file as an attachment to SOI.ISAP4.comments@actuaries.org.