

ACTUARIAL STANDARDS BOARD (ASB) MEETING N° 133
OCTOBER 17, 2023
VIDEOCONFERENCE
10:00 – 14:20

Present: Gavin Benjamin
Thierry Chamberland
Renée Couture (*joined at 10:10*)
Simon Curtis
Pierre Dionne
Steve Easson
Edward Gibson, *Chair*
Marshall Posner
Dean Newell, *ex officio*
Michel Simard, Executive Director

Staff: Josée Racette

The Chair opened the meeting.

133.1 Approval of Agenda

One item, approval of the mandate of the Investigative Group on Ethics and Models, was added to the agenda under item 6d.

Motion: That the agenda be approved as amended.

Carried

133.2 Previous Minutes

The minutes from the September 5, 2023, meeting were reviewed. A few edits were suggested.

Motion: That the minutes of ASB meeting N° 132 held on September 5, 2023, be approved as amended.

Carried

133.3 Electronic votes

There were no electronic votes since the last meeting.

133.4 Disbanding Designated and Working Groups

There is one designated or working group to disband.

Motion: That the Designated Group to Correct an Error in Paragraph 3260.20 be disbanded with thanks.

133.5 Review of Action Items

All action items are included on the agenda.

133.6 Reports from Designated Groups

a) Joint Policy Statement

No update was available.

b) Quinquennial Review of Part 6000

Renée Couture reported that five sets of comments had been received. Most are minor comments. One comment was related to the change from “claims” to “benefit utilization”. The DG will review the standards to ensure consistency of usage throughout.

Commenters were of the opinion that the maximum extrapolation period for membership data should be four years.

Recommendations for the development of guidance will be summarized and passed on to the AGC.

c) Scope of application of SOP related to work outside Canada

There was no update available.

d) Use of models

A proposed mandate for an Investigative Group on Bias and Ethics was presented. It was reported that during a meeting with the Autorité des marchés financiers (AMF) in September, the AMF indicated that it had really appreciated the CIA paper published on bias and ethics and was asking about next steps.

A decision was made to call this group a Working Group rather than an Investigative Group. This working group will be tasked to help the ASB decide whether it should establish a DG to look into the issue.

It was mentioned that the DG on the Quinquennial Review of Part 1000 will consider the topic of use of models (perhaps including something about risk classification) but will not consider bias and ethics as it is a fundamental topic. Some edits to the proposed mandate were suggested.

Use of models: The AGC Chair will resume his recruiting efforts to recruit DG members tasked with ensuring the standards adequately capture predictive analytics models.

e) Reliance on Third Party Data Providers

The notice of intent (NOI) has been published and the comment period ends at the end of October.

f) Quinquennial Review of Part 7000

The drafting of the memo to members and the memo to the ASB is nearing completion.

No comments were received following the publication of the exposure draft.

Final standards are expected to be presented to the ASB for approval at the November 2023 ASB meeting. The effective date is expected to be January 1, 2024.

g) Quinquennial review of Part 1000

Simon Curtis reported that the DG has met a few times and is working effectively.

Potential topics identified so far have been assigned to the members of the DG for further research. During all-day meeting in October, the DG reviewed and discussed the results of the research and recommendations. Some of the topics identified include:

- Discount rate
- Consistent wording (it was suggested that the use of “material” and “materiality” be reviewed)
- Subsequent events
- Use of models (risk classification)
- Special valuations (e.g., municipal liabilities, gift annuities)

The DG expects to propose some changes to the standards, but nothing overwhelming.

It was mentioned that the CIA met with an external stakeholder in early October where the issue of taxonomy was discussed. The stakeholder reported that some terms are not always used in the same way by other entities. The DG will not tackle this issue (it has to be a separate exercise).

In an effort to ensure that our standards are not too detailed, there was a proposal that “may” be transferred to guidance. In addition, after careful consideration, the DG decided not to use “shall” or “must” instead of “should”.

An outline of the NIO is expected to be shared with the ASB early in 2024.

h) Gender Identity

Marshall Posner reported that the AGC is still in the process of recruiting.

Recruitment is taking place for two groups (one to deal with standards and the other with guidance) with significant overlap. Some individuals are willing to sit on both groups. No chair has yet been identified.

The DG will have to look at how to define “gender”. It potentially affects all areas of practice. Guidance will be needed in this area (perhaps a practice resource document).

The Committee on Life Insurance Financial Reporting is nervous about the potential impact on experience studies, for example.

i) ISAP 8

Steve Easson provided an update. He indicated that the DG on the Quinquennial Review of Part 1000 will not tackle this issue.

The purpose of setting up a DG is to determine the best way to accommodate ISAP 8 in the Canadian standards of practice (and to do so).

International Actuarial Association’s (IAA) statement of intent has been issued. Comments received are all supportive (with one exception) of the development of standards based on ISSB’s S2.

The draft mandate was approved in principle by the ASB and the DG will be given a chance to propose minor changes before final approval is granted.

Motion: That the ASB create a Designated Group on ISAP 8, that Karen Lockridge and Steve Easson be appointed as co-chairs, and that Renée Couture, Charles Lemieux, Michelle Garshon, Claudette Cantin, Raul Martin, Lisa Zwicker, Louis Doiron and Jean Blanchette be appointed as members.

Carried

j) Target Pension Arrangements

It was reported that the DG has started to redline the standards with proposed changes to inform the drafting of the NOI. The draft NOI might be ready to be shared with the ASB at the November 2023 ASB meeting.

k) Criminal Rate of Interest (Section 4600)

The ASB Chair was informed of a change being considered by the House of Commons (ways and means motion) that would replace “effective annual interest rate” by “annual percentage rate”.

Actuarial evidence practitioners are concerned that it could lead to inconsistency of practice. Discussions with the Ministry of Finance are ongoing. Depending on the outcome, the ASB may need to make changes to the standards to align with the law. It is still not definitive that a DG will be required. If a DG is needed, it was suggested that it include one or two individuals from outside the actuarial evidence area of practice.

l) Materiality (paragraph 4710.01, actuarial evidence)

No progress has been made.

133.7 Strategic Plan

After some discussion, ASB members felt that there would be some value in having an operational plan (for the next five years). A working group will be formed.

The review will consider consistency with current practice.

Using the most recent report on ASB activities, ASB members will then be able to identify potential gaps.

It was agreed that the topic will be discussed by the entire group at the next ASB meeting.

133.8 ASB Due Process

The group met once since the last ASB meeting. Progress is being made.

One topic of discussion is whether there should be an “urgent” or “expedited” track where the publication of a NOI would not be required. Several concerns were raised about skipping the NOI.

Guidelines for DG: the group is recommending that they be kept separate.

Public interest: the group intends to clarify what is expected from the DG.

Consistency: consistency between Part 1000 and the other parts needs to be encouraged. There was some discussion as to whether and how to document the justifications for differences. It was concluded that justifications should be included in the memo to members.

One other topic being carefully considered is the content of the memo to members and that of the memo to the ASB to minimize duplication in reporting. The group will recommend that a template for a NOI be developed to help DGs (a series of bullets as to what is required).

There was also some discussion about whether a NOI can be withdrawn by a simple majority vote. It was felt that a vote of 2/3 of members should be required.

It is hoped that a first draft of proposed changes will be ready to be shared with the ASB at its next meeting.

133.9 Webcasts/Podcasts

The Pension and Investment Seminar will be held November 8-9, 2023 (virtual format – in English). The Committee on Pension Plan Financial Reporting will hold a session.

A webcast on climate considerations for pension and investment practitioners will be held in the next few days.

**133.10 Updates from the PDC and the IAC
IAC (International Affairs Council)**

There was no update available.

PDC (Practice Development Council)

No update available. A new ASB liaison is required.

133.11 Updates from various practice committees

Appointed Valuation Actuary Practice Committee: No update available. Simon Curtis is the new ASB liaison.

Committee on Life Insurance Financial Reporting:

The committee met last week. There are no specific issues to bring to the ASB's attention.

The committee is resource-challenged as it continues to update existing educational notes.

There are no big issues following the implementation of IFRS 17.

Committee on Property and Casualty Insurance Financial Reporting (PCFRC): The committee is reviewing and updating existing guidance where required.

The committee intends to update the document on the appropriate treatment of reinsurance (joint initiative with CLIFR) as the document is on the CAS syllabus.

Review of the Fiera curves: the issue has been put to bed (no peer review).

Committee on Risk Management and Capital Requirements: No update available.

Committee on Workers' Compensation: No update available.

Committee on Pension Plan Financial Reporting: The committee met once since the last ASB meeting.

- All important existing notes have now been updated. PPFRC is now turning its attention to the medium to low priority educational notes.
- At its next meeting this month, the committee will discuss Q3 annuity guidance.

Steering Committee on Climate Change and Sustainability: The committee is meeting today.

The following items are on the agenda:

- Developing tools for climate
- Update to the CIA Board
- The CIA resident actuary is monitoring activities
- Roundtable

There is pressure for the AGC to develop guidance and the ASB to develop standards. It is expected that the DG on ISAP 8 will liaise with the AGC to identify guidance required.

Task Force on the Review of the Rules of Professional Conduct: A communication to members is expected to be released soon. It is still intended to pursue a modernization of the Rules (especially the rule on conflicts of interest). The task force is going back to the drawing board. The timeline has not yet been determined.

There was a discussion on "work in Canada" as opposed to work in another jurisdiction. There seems to be different interpretations between life and pension practitioners. The main consideration is as follows: who is the user of the work.

It was suggested that finding a way to help practitioners comply with the rules and standards of the user would be beneficial (by providing resources to actuaries). For example, the US recently changed their qualification standard.

This issue is the same as that of item 6c. A working group will be formed to look into the issue further. Changes to the standards are not expected although there might be a need for guidance.

133.12 Report on Recent/Upcoming Meetings

The ASB received a report on recent meetings involving the ASB and the following was noted:

CIA/ASB/AMF meeting on September 7, 2023

- Monitoring will now be conducted by type of risk.
- Other topics on the agenda included climate change and cybersecurity (among others).
- AMF is changing how they collect data.
- Promulgation (discount rate under IFRS 17): it is too soon to draw any conclusion.
- Climate change: AMF will publish its own guideline.
- AMF was very pleased with the practice resource document on bias and ethics and asked what the next steps will be.
- Segs funds capital guidelines: AMF's guideline allows more flexibility.

AGC meetings on September 12, 2023 and October 10, 2023

- The CLIFR and PCFRC fall letters have been published.
- Two existing educational notes were updated and published as a result of the publication of OSFI guideline E-16.
- The paper on gift annuities is being updated.
- Mortality improvement research: it is about to be finalized. A dissemination plan is being developed. The AGC will have a pre-look at the research to determine how it impacts guidance.

CIA Board meeting on September 14, 2023

- Rules of Professional Conduct: The Board discussed strategy – re-group and re-launch within a reasonable timeframe.
- Technology renewal
- AGC annual report to the Board was submitted.
- Policy on minutes: what to archive
- Strategic items, such as member engagement
- New education system: all activities are on time

133.13 Future Meetings

November 27, 2023 – 10:00 a.m. - 4:00 p.m.

The November meeting will be held in person in Toronto. Details to be confirmed soon.

Meeting dates for the first half of 2024 will soon be identified. A meeting might be convened in January.

133.14 Other ASB Business

Recruitment: Efforts are continuing to recruit new ASB members (focus on females, Quebec, P&C background). There has not been an expression of interest in the role of new ASB Chair.

Marshall Posner indicated his willingness to continue his work on the Working Group to update the ASB due process although his mandate will come to an end at the end of 2023.

It was mentioned that not having a vice-chair might be an impediment as the chair role is demanding. Perhaps the vice-chair would not be automatically expected to take over as chair.

There being no further business, the meeting concluded at 14:20. The next ASB meeting will be held in Toronto on November 27, 2023.