

## Policy on Due Process for the Adoption of Standards of Practice

### A. Introduction

This document describes the Actuarial Standards Board's (ASB) criteria and process for the adoption of Canadian actuarial standards of practice. Specifically, it outlines the roles and responsibilities of the ASB, as well as the groups that develop standards, and describes the process of consultation with members of the Canadian Institute of Actuaries (CIA) and other interested parties. This policy has been developed in accordance with the ASB's [Terms of Reference](#) that govern all ASB activities.

### B. Purpose of the Policy

The purpose of this policy is to ensure that standards developed are objective, of high quality, and serve the public interest. As such, the due process was designed to provide a detailed and transparent description of the standard-setting process (also see flowchart included in the appendix), to allow for meaningful consultation with all interested parties, including responses to input received, and to hold the ASB accountable to all stakeholders.

### C. Criteria for the Adoption of Standards of Practice

The ASB adopts standards that meet the following four criteria:

**a) Advance the public interest.**

It is of paramount importance for the ASB to hold the duty of the profession to the public above the interests of the profession and its members.

**b) Provide for the appropriate application of professional judgment within a reasonable range.**

The actuary will apply professional judgment within a reasonable range. The definition of reasonable ranges may be included in the standards but will often form part of educational notes and, in isolated cases, a single value for an assumption may be prescribed.

**c) Ensure that compliance with the standards is practical for actuaries with relevant training.**

It is not useful to create standards that are extraordinarily difficult to apply. The standards should strike a reasonable balance between theoretical precision and clear practical guidance. At the same time, it is understood that actuaries will need to maintain and enhance their skill levels as part of their continuing education.

**d) Be clear, concise, and written in a consistent style.**

The drafting style for standards should avoid ambiguity and should ensure that editing and future changes can be made with relative ease.

The ASB also considers that revisions to standards should promote consistency between the general standards and practice-specific standards, as well as consistency among the standards in different practice areas, where appropriate. If a potential inconsistency between proposed revisions to standards and other portions of the existing standards is identified, it could be addressed by changing the proposed revisions to standards or by reviewing and revising the other portions of existing standards. At times there will be a valid justification for differences or inconsistencies in standards.

## **D. Review of Standards**

A proposal for revisions to standards (including promulgations) may be made by the ASB, the CIA Board, a CIA council, committee, subcommittee or task force, a CIA member, or by a regulator, a member of another profession, an industry organization, or any other party or individual. Any such proposal other than from the ASB, shall be submitted in writing to the attention of the ASB or to the Actuarial Profession Oversight Board (APOB), which would normally forward such a proposal to the ASB. The ASB considers each such proposal and decides whether it is appropriate to revise standards.

In addition, the ASB monitors new developments in Canada and elsewhere that could require revisions to existing standards or the development of a standard in a new practice area. This could include, as examples, a new international professional standard or a regulatory change that may affect existing standards in Canada. Finally, the ASB conducts a regular review of existing standards to ensure that the standards of practice are kept current and are of high quality.

If the ASB decides that it is appropriate to revise standards, the ASB defines the mandate and establishes an appropriately qualified designated group (DG) to lead the revision of standards, and appoints its members in accordance with its [guidelines](#) as are applicable for designated groups.

## **E. Development of Standards of Practice**

The due process to introduce a standard in a new practice area or to revise an existing standard depends on the nature of the change to be considered. The three categories are revisions to standards, minor revisions, and promulgations. The steps for each of these categories are summarized in the table below. Details for each step appear in sections G – Revisions to Standards, H – Minor Revisions and I – Promulgations.

Category	Steps	Consultations
Revisions to Standards	<ol style="list-style-type: none"> <li>1. Notice of intent</li> <li>2. Exposure draft</li> <li>3. Adoption stage</li> </ol>	Broad consultation occurs at both steps 1 and 2. A <a href="#">re-exposure</a> is possible, if in the judgment of the ASB, consultation leads to sufficient changes to the exposure draft to warrant a re-exposure.
Minor Revisions	Adoption stage only	May include limited consultation.
Promulgations	<ol style="list-style-type: none"> <li>1. Initial communication</li> <li>2. Final communication</li> </ol>	Broad consultation occurs at step 1. An initial communication could be re-issued, if in the judgment of the ASB, consultation leads to sufficient changes to the initial communication to warrant a re-issue.

Occasionally, after final standards have been published, the ASB discovers that a minor error (typographical or similar) has been made. The due process for minor revisions to standards, as detailed in section H below, is not required to correct the minor error. Instead, the chair of the ASB or another ASB member appointed by the chair, will work with the Head Office to correct the error and communicate the correction to CIA members and other interested parties.

**F. Consultations**

Broad-based consultations are essential in supporting the public interest. For each instance where broad consultations are required under the due process, the DG and the ASB aim to identify parties that may have an interest in the revisions the ASB undertakes. These include, but are not necessarily limited to, the Actuarial Guidance Council, relevant practice committee(s), industry associations, regulators, unions or bodies representing plan members or individuals, and individuals or organizations who may have initiated the process via a request for change from the ASB. To the extent practicable, the ASB coordinates with the Head Office on notifying the interested parties of the proposed revision to standards. In addition, the notices are communicated to all CIA members via the CIA communication process and are posted on the ASB website.

In some instances, specific questions are included in the cover memo or the document (notice of intent or initial communication) to solicit direct feedback on items that the DG will consider or review.

Response to the request for input can be sent by email to the CIA at the email address specified in the consultation document. An acknowledgment of the receipt of input is sent to each respondent. All responses are submitted to the DG for review and due consideration. These responses are summarized or grouped as appropriate with a description of the input received, the actions taken by the DG as a result of that input and the rationale for such actions. The DG submits its report to the ASB, which considers all of the information and input in making its decision on the content of the exposure draft or standard.

All publications of an exposure draft and standards are accompanied by a cover memo that is part of the final communications to members and that includes a summary of the comments received and how they have been addressed and why.

## **G. Revisions to Standards**

### **Step 1: Notice of Intent Stage**

- 1.1 At the commencement of revisions to standards, the designated group prepares a notice of intent for distribution to CIA members and other interested parties (e.g., relevant industry associations, regulatory bodies, other professional organizations). When the revisions to standards are practice-specific, the notice of intent should be discussed with the relevant CIA practice committee(s), if any, before being issued. The input of other interested parties may be sought depending on the significance and content of the revisions to standards. The notice of intent should include the following:
  - 1.1.1 The subject of the revisions to standards;
  - 1.1.2 An explanation of why the revisions to standards are needed, including key drivers of change, how the revisions to standards would be in the public interest, and desired outcomes (if known);
  - 1.1.3 An outline of principles expected to be reflected in the revisions to standards, and their supporting rationale, if applicable;
  - 1.1.4 A summary of the proposed content of the revisions to standards;
  - 1.1.5 An approximate timetable for completion of the revisions to standards, including, if applicable, reasons for urgency;
  - 1.1.6 An outline of any particular issues on which input is specifically sought and the deadline for comments on those and other pertinent issues;
  - 1.1.7 Confirmation that due process was followed in the development of the notice of intent;
  - 1.1.8 Identification of forums that are intended to solicit feedback from CIA members and other interested parties;
  - 1.1.9 The names of the members of the designated group; and
  - 1.1.10 The designated group's contact information.
- 1.2 Once the notice of intent is prepared, the designated group recommends that the ASB approve it. The draft notice of intent, together with a report from the designated group, is sent to the ASB. The report to the ASB should include the following:

- 1.2.1 The designated group's recommendation that the ASB approve the notice of intent for distribution to CIA members and other interested parties;
  - 1.2.2 Commentary on the appropriateness of adopting the revisions to standards rather than including new guidance in another document such as an educational note;
  - 1.2.3 Commentary on any potential material impact of the revisions to standards, to the extent feasible;
  - 1.2.4 The interested parties who will be included in communications during the development of the revisions to standards;
  - 1.2.5 Identification of the CIA committees and other interested parties consulted during the preparation of the notice of intent;
  - 1.2.6 Identification of any significant additional resources that may be required by the designated group (e.g., legal advice, other professional advice, research) for the subsequent development of the revisions to standards; and
  - 1.2.7 A listing of relevant sources of information that the designated group expects to consider in the development of the revisions to standards (e.g., existing CIA educational notes or research papers, actuarial standards in other jurisdictions, standards of other professions).
- 1.3 If a majority of ASB members are satisfied that the notice of intent is appropriate and has been prepared in accordance with due process, it approves the notice of intent, with or without further amendments, for distribution to CIA members and other interested parties. Both the chair of the ASB and the chair of the designated group sign the notice of intent.
  - 1.4 If the ASB does not approve the notice of intent for distribution, the ASB decides whether to abandon the revisions to standards or ask the designated group to prepare a new notice of intent to address any issues identified by the ASB.
  - 1.5 Comments on the notice of intent should be provided to the designated group. Input may be provided through written submissions. In addition, input may be sought at a live event such as a CIA meeting, at a specifically convened town hall meeting or conference call, or through the use of specially designed web-based tools.
  - 1.6 Feedback on the comments received will be provided to CIA members and other interested parties. Typically this feedback is provided in summary form as part of the exposure draft (step 2) of the revisions to standards.
  - 1.7 At any time during step 1, the ASB may conclude, through a majority vote of ASB members, that the notice of intent should be withdrawn and/or that further work on the revisions to standards cease. Any such decision would be communicated to CIA members and other interested parties, as appropriate.

## **Step 2: Exposure Draft Stage**

- 2.1 In preparing the exposure draft of the revisions to standards, the designated group should review and consider the input received from CIA members and other interested parties.

The exposure draft may be discussed with CIA committees and other interested parties before being issued, as appropriate. When the revisions to standards are practice-specific, the exposure draft should be discussed with the relevant CIA practice committee(s), if any, before being issued. The Head Office will edit the exposure draft, and verify it for internal consistency, as well as for consistency with the Standards of Practice. If the revisions to standards conflict with existing standards, the exposure draft should include the transitional provisions that will apply when the revisions to standards are adopted.

- 2.2 Once the exposure draft and cover letter are prepared, the designated group recommends that the ASB approve them. The cover letter for the exposure draft, to be signed by the chair of the ASB and the chair of the designated group, should include the following:
  - 2.2.1 The intended timeline for feedback, discussion, and adoption of the revisions to standards;
  - 2.2.2 The dates that the applicable notice of intent and any previous exposure drafts were published;
  - 2.2.3 The date the exposure draft was approved by the ASB;
  - 2.2.4 An outline of any particular issues on which input is specifically sought and the deadline for comments on those and other pertinent issues;
  - 2.2.5 A summary of the major issues raised by CIA members and other interested parties in response to the notice of intent and any previous exposure drafts, together with the designated group's response thereto and the rationale for that response, or a reference to an earlier summary of such issues and responses;
  - 2.2.6 Identification of forums that are intended to solicit feedback from CIA members and other interested parties;
  - 2.2.7 Confirmation that due process was followed in the development of the exposure draft;
  - 2.2.8 Whether early implementation is likely to be encouraged, permitted or prohibited;
  - 2.2.9 The names of the members of the designated group; and
  - 2.2.10 The designated group's contact information.
- 2.3 The designated group also submits a report to the ASB that should include the following:
  - 2.3.1 Its recommendation that the ASB approve the exposure draft and the cover letter for distribution to CIA members and other interested parties;
  - 2.3.2 A description of how the exposure draft meets the criteria for the adoption of standards identified in section C above;
  - 2.3.3 A commentary on whether the exposure draft has been reviewed by the ASB's legal counsel;

- 2.3.4 Identification of the CIA committees and other interested parties consulted during the preparation of the exposure draft;
  - 2.3.5 Identification of any major issues that are expected to be controversial, or that are expected to pose implementation challenges for some actuaries;
  - 2.3.6 Commentary on any potential material impact of the revisions to standards for CIA members and other interested parties;
  - 2.3.7 The interested parties who will be included in the communication of the exposure draft;
  - 2.3.8 A listing of sources of information that the designated group considered in the development of the exposure draft, if considered relevant by the designated group;
  - 2.3.9 A description of any actual or potential conflicts with existing standards; and
  - 2.3.10 The proposed length of the exposure period.
- 2.4 The ASB may make any amendments to the exposure draft and cover letter that it considers appropriate prior to its vote, and may consult with the designated group or any other interested party regarding the appropriateness of any such amendments.
- 2.5 If at least two-thirds of all ASB members are satisfied that the exposure draft of the revisions to standards has been prepared in accordance with due process, meets the criteria for the adoption of standards in section C above, and is an appropriate revision to the standards, and that the cover letter is appropriate, the exposure draft and the cover letter are approved for distribution to CIA members and other interested parties.
- 2.6 If the ASB does not approve the exposure draft for distribution, the ASB decides whether to abandon the revisions to standards or ask the designated group to prepare a new exposure draft that will meet the applicable adoption criteria.
- 2.7 Comments on the exposure draft should be provided to the designated group. Input may be provided through written submissions. In addition, input may be sought at a live event such as a CIA meeting, at a specifically convened town hall meeting or conference call, or through the use of specially designed web-based tools.
- 2.8 At any time during step 2, the ASB may conclude, through a two-thirds majority vote of ASB members, that the exposure draft should be withdrawn and/or that further work on the revisions to standards cease. Any such decision would be communicated to CIA members and other interested parties, as appropriate.

### **Step 3: Adoption Stage**

- 3.1 The designated group reviews and considers the input received from CIA members and other interested parties. Based on this review, the designated group may make changes to the revisions to standards. The changes may be discussed with CIA committees and other interested parties, as appropriate. When the revisions to standards are practice-specific, the changes should be discussed with the relevant CIA practice committee(s), if any. The designated group then recommends to the ASB whether the revisions to standards should be re-exposed or whether they should be adopted as final standards.

- 3.2 After consulting with the designated group, the ASB decides whether the required changes are substantial enough to necessitate a repetition of the exposure draft stage. If re-exposure is considered necessary, then step 2 should be repeated.
- 3.3 If the ASB determines that re-exposure is not required, the designated group prepares the final version of the revisions to standards (the final standards) and the cover letter. The Head Office will edit the final standards and verify them for internal consistency as well as for consistency with the Standards of Practice. If there is conflict with existing standards, the revisions to standards should include the transitional provisions that will apply when the final standards are adopted.
- 3.4 Once the final standards and the cover letter are prepared, the designated group recommends that the ASB adopt the final standards and approve the cover letter. The cover letter for the final standards, to be signed by the chair of the ASB and the chair of the designated group, should include the following:
  - 3.4.1 The dates that the applicable notice of intent and any exposure drafts were published;
  - 3.4.2 A summary of the major issues raised by CIA members and other interested parties in response to all exposure drafts, together with the designated group's response thereto and the rationale for that response, or a reference to an earlier summary of such issues and responses;
  - 3.4.3 Confirmation that due process was followed in the development of the final standards;
  - 3.4.4 The date the ASB adopted the final standards;
  - 3.4.5 The effective date of the final standards; and
  - 3.4.6 Whether early implementation is encouraged, permitted, or prohibited.
- 3.5 The designated group also submits a report to the ASB that should include the following:
  - 3.5.1 Its recommendation that the ASB adopt the final standards and approve the cover letter for distribution to CIA members and other interested parties;
  - 3.5.2 A description of how the final standards meet the criteria for the adoption of standards identified in section C above; and
  - 3.5.3 A commentary on whether the ASB's legal counsel reviewed the final standards.
- 3.6 The ASB may make any amendments to the final standards and the cover letter that it considers appropriate prior to its vote, and may consult with the designated group or any other interested party regarding the appropriateness of any such amendments.
- 3.7 If at least two-thirds of all ASB members are satisfied that the final standards have been prepared in accordance with due process, meet the criteria for the adoption of standards in section C above, and are appropriate revisions to the standards, and that the cover letter is appropriate, the final standards are adopted and the cover letter is approved and they are communicated to CIA members and other interested parties.



- 3.8 If the ASB does not adopt the final standards, the ASB decides whether to abandon the revisions to standards, ask the designated group to prepare a new version of the revisions to standards that will meet the applicable adoption criteria, or ask the designated group to repeat the exposure draft stage. Any decision to abandon the revisions to standards would be communicated to CIA members and other interested parties.

## **H. Minor Revisions**

When a proposed revision to standards is minor, only one step is required following the appointment of the designated group by the ASB. The following process is used for this step:

### **Step 1: Adoption Stage**

- 1.1 The designated group prepares a draft of the minor revisions to standards. The designated group consults with the relevant CIA practice committee(s), if any, and other interested parties during the preparation of the final standards, as appropriate. The Head Office will edit the revised standards, and verify them for internal consistency, as well as for consistency with the Standards of Practice.
- 1.2 Once the final standards and the cover letter are prepared, the designated group recommends that the ASB formally consider the revisions to standards minor in nature and adopt the final standards and approve the cover letter. The cover letter for the final standards, to be signed by the chair of the ASB and the chair of the designated group, should include the following:
  - 1.2.1 The rationale for the revisions to standards;
  - 1.2.2 Confirmation that the ASB considered the revisions to standards to be minor in nature and that the process for adoption of minor revisions to standards, as described in this section H (with no requirement for exposure), is applicable;
  - 1.2.3 Confirmation that due process was followed in the development of the final standards;
  - 1.2.4 The date the ASB adopted the final standards;
  - 1.2.5 The effective date of the final standards; and
  - 1.2.6 Confirmation that early implementation is permitted since there is no effect to the substance of the standards.
- 1.3 The designated group also submits a report to the ASB that should include the following:
  - 1.3.1 Its recommendation, and its reasons for this recommendation, that the revisions to standards be considered minor;
  - 1.3.2 Its recommendation that the ASB adopt the final standards and approve the cover letter for distribution to CIA members and other interested parties;
  - 1.3.3 Identification of any interested parties who were consulted during the preparation of the revisions to standards; and
  - 1.3.4 A commentary on whether the ASB's legal counsel reviewed the final standards.

- 1.4 The ASB may make any amendments to the final standards and the cover letter that it considers appropriate prior to its vote, and may consult with the designated group or any other interested party regarding the appropriateness of any such amendments.
- 1.5 If at least two-thirds of all ASB members are satisfied that the revisions to standards are minor in nature, and that the final standards have been prepared in accordance with due process and are appropriate revisions to the standards, and that the cover letter is appropriate, the final standards are adopted and the cover letter is approved, and they are communicated to CIA members and other interested parties.
- 1.6 If the ASB is not satisfied that the revisions to standards are minor in nature or if the ASB does not adopt the final standards, the ASB decides whether to abandon the revisions to standards, ask the designated group to prepare a new version of the revisions to standards where the revisions are minor in nature, or ask the designated group to prepare a new version of the revisions to standards, following the full development and consultation process (i.e., steps 1 to 3 in section G above, with exposure prior to adoption).

## **I. Promulgations**

The standards specify a number of promulgated assumptions, which are identified as requiring revision or updating from time to time. If the ASB considers that a promulgated assumption should be revised, the ASB establishes a designated group, as described in section D above, and the following process is used:

### **Step 1: Initial Communication**

- 1.1 The designated group prepares an initial communication for the revision of the promulgated assumption, and recommends that the ASB approve the document. When the promulgated assumption is practice-specific, the initial communication should be discussed with the relevant CIA practice committee(s), if any, before being issued. The initial communication should also be discussed with any other interested parties, as appropriate. The initial communication, to be signed by the chair of the ASB and the chair of the designated group, should include the following:
  - 1.1.1 The revision to the promulgated assumption and why the assumption is being revised;
  - 1.1.2 A supporting rationale for the revision;
  - 1.1.3 Confirmation that the criteria for the adoption of standards identified in section C above have been met;
  - 1.1.4 The proposed effective date (this date would normally be at least five months after the initial communication is published);
  - 1.1.5 confirmation that due process was followed in the preparation of the initial communication;
  - 1.1.6 The names of the members of the designated group, as well as the contact information for the designated group;

- 1.1.7 The date by which comments should be made (this date must be at least one month after the date that the initial communication is published); and
  - 1.1.8 The date on which the final communication is expected to be released.
- 1.2 If a majority of ASB members are satisfied that the initial communication is appropriate and has been prepared in accordance with due process, the initial communication, with or without further amendments, is approved for distribution to CIA members and other interested parties.
- 1.3 At any time during step 1, the ASB may conclude, through a majority vote of ASB members, that the initial communication should be withdrawn and/or further work on the revision of the promulgated assumption cease. Any such decision would be communicated to CIA members and other interested parties, as appropriate.

## **Step 2: Report on Comments**

- 2.1 After the comment deadline, unless step 2.2 is applicable, the designated group prepares a report to the ASB that should include the following:
  - 2.1.1 A summary of the comments made; and
  - 2.1.2 Its recommendation for the wording of the final communication and a supporting rationale for that wording.
- 2.2 If the changes from the initial communication are considered to be significant, the designated group may decide to recommend that the initial communication be repeated. In such case, the designated group prepares a report to the ASB that should include the following:
  - 2.2.1 A summary of the comments made; and
  - 2.2.2 Its recommendation for the wording of a revised initial communication and a supporting rationale for that wording.

## **Step 3: Final Communication**

- 3.1 The ASB decides whether the changes from the initial communication are substantial enough to require a repetition of the initial communication stage. If re-exposure is considered necessary, then step 1 should be repeated.
- 3.2 If the ASB determines that re-exposure is not required, the designated group recommends that the ASB approve the final communication. The final communication, to be signed by the chair of the ASB and the chair of the designated group, should include the following:
  - 3.1.1 The date that the initial communication was published;
  - 3.1.2 The promulgated assumption that is being revised;
  - 3.1.3 Confirmation that the criteria for the adoption of standards identified in section C above have been met;
  - 3.1.4 A summary of the major issues raised and the supporting rationale for the change;

- 3.1.5 The effective date (this date would normally be at least five months after the initial communication was published and three months after the final communication is published);
  - 3.1.6 Whether early implementation is encouraged, permitted, or prohibited; and
  - 3.1.7 Confirmation that due process was followed in the development of the revision of the promulgated assumption.
- 3.3 The ASB may make any amendments to the final communication that it considers appropriate prior to its vote, and may consult with the designated group or any other interested party regarding the appropriateness of any such amendments.
  - 3.4 If at least two-thirds of all ASB members are satisfied that the final communication has been prepared in accordance with due process and is an appropriate revision to the promulgated assumption, the final communication is approved and it is communicated to CIA members and other interested parties.
  - 3.5 If the ASB does not approve the final communication, the ASB decides whether to abandon the revision to the promulgated assumption, or ask the designated group to prepare a new version of the revision to the promulgated assumption and/or final communication that will meet the applicable adoption criteria. Any decision to abandon the revision to the promulgated assumption would be communicated to CIA members and other interested parties.

Appendix – Due Process Flow Chart

Due Process for the Adoption of Standards of Practice

