Memorandum

To: All Fellows, Affiliates, Associates, and Correspondents of the Canadian Institute of Actuaries and Other Interested Parties

From: A. David Pelletier, Chair
Actuarial Standards Board

Ty Faulds, Chair
Designated Group

Date: February 12, 2013

Subject: Final Standards for Practice-Specific Standards on Insurance Contract Valuation (Section 2300) to Narrow the Range of Practice on Certain Elements

INTRODUCTION

The attached final standards were approved by the Actuarial Standards Board (ASB) on January 31, 2013.

A notice of intent on this matter was published on April 3, 2012, and an exposure draft was published on October 30, 2012, with a comment period ending on December 15, 2012.

BACKGROUND

As stated in the above documents, the ASB received input on areas within the practice-specific standards on insurance contract valuation where the range of practice may be too wide and changes to the standards may be warranted. The ASB formed a Designated Group (DG) to review and recommend any appropriate changes. It consisted of Ty Faulds (Chair), Michael Banks, Cindy Forbes, and Andrea Sherry.

The revisions clarify the standards in the following areas relating to life and health insurance contract valuation (section 2300):

- Assumptions for non-fixed income asset classes where reliable historical data are not available;
- Considerations where regulatory approval is required on adjustable products; and
- Policyholder behaviour assumptions.
COMMENTS RECEIVED
No comments were received on the exposure draft and the final standards are the same as the exposure draft.

DUE PROCESS AND IMPLEMENTATION
The ASB’s Policy on Due Process for the Adoption of Standards of Practice was followed in the development of these revisions to the Standards of Practice.

The revised standards are effective as of March 15, 2013. Early implementation is permitted.

ADP, TF