



Memorandum

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

From: Jim Christie, Chair
Actuarial Standards Board
Stephen Haist, Chair
Designated Group

Date: January 9, 2014

Subject: **Final Standards – Revocation of the Current Standards of Practice Entitled Recommendations – Dividend Determination and Illustration and Explanatory Notes in Amplification of Certain Dividend Recommendations, and Introduction of a New Subsection Relating to Participating Policy Dividend Determination in Part 2000 – Practice-Specific Standards for Insurance**

Document 214007

INTRODUCTION

When most of the Standards of Practice were consolidated in 2002, the existing standards relating to dividend determination and illustration were left intact. The rationale at that time was that the majority of the contents of these standards were already covered in the General Standards and the remaining content might be better suited to an educational note. Given this, the existing standards would remain intact until such further guidance was made available.

The existing dividend standard documents Recommendations – Dividend Determination and Illustration, and Explanatory Notes in Amplification of Certain Dividend Recommendations, both as amended June 1987, are inconsistent with the other standards in form and content, and the Actuarial Standards Board (ASB) is now addressing this anomaly by introducing a new section 2700 of the Practice-Specific Standards for Insurance and revoking the two existing dividend standard documents referenced above.

The CIA Practice Council is releasing supplementary guidance at the same time as the publication of this revised standard.

BACKGROUND

The ASB created a designated group which is responsible for the amendment of this standard. It consists of Stephen Haist (Chair), John Dark, Ty Faulds, Lesley Thomson, Jacques Tremblay, and Phil Watson.

A [notice of intent](#) on this topic was issued on February 6, 2012. An [exposure draft](#) was issued on August 8, 2012.

COMMENTS RECEIVED

Four comments were received in response to the exposure draft.

One commenter questioned the precise meaning of “Canadian” individual life, annuity and health policies. We have amended the wording to clarify this.

A second commenter noted that “policy factors” and “experience factors” were terms which may require definition. We have amended these terms to be more generic in description.

A third commenter questioned whether there should be some link or reference to subsection 2460, which deals with fairness opinions and compliance opinions provided by the Appointed Actuary. Our response to that commenter was that these were different reports provided in a different context by potentially different actuaries. The distinction is expanded upon in the supporting educational note.

The committee drafting the educational note recommended a minor amendment to the definition of “contribution principle” to remove the implication that the principle must be followed rigorously at each dividend determination as opposed to over a longer period of time. We have amended the wording accordingly.

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 revisions, including revocation of the existing standards relating to dividend determination and illustration, were approved by the ASB on December 3, 2013, and are effective immediately upon publication. Early implementation is not permitted.

JC, SH