



## MEMORANDUM

**TO:** All Members and Students of the CIA practising in the area of Actuarial Evidence  
**FROM:** Doug Townsend, Chairperson, Committee on Actuarial Evidence  
**DATE:** June 11, 2001  
**SUBJECT:** **Highlights and Differences – Consolidated Standards of Practice: Practice-specific Standards for Actuarial Evidence**  
**DEADLINE FOR COMMENTS: August 15, 2001**

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## HIGHLIGHTS AND DIFFERENCES

### Practice-specific Standards of Practice for Actuarial Evidence

Prior to CSOP, there were only two standards applicable specifically to practices in the Actuarial Evidence area:

- *Recommendations for the Preparation of Actuarial Reports and the Presentation of Evidence before the Courts and other Tribunals*
- *Standard of Practice for the Computation of the Capitalized Value of Pension Entitlements on Marriage Breakdown for Purposes of Lump-Sum Equalization Payments*

These have been updated and incorporated into the current draft of area-specific standards.

The reader should be alert to four areas where new standards are being introduced or old standards are being updated.

### 1. OBJECTIVITY

Actuaries take pride in being professional and objective, and this is reflected in the general sections of CSOP and in the Marriage Breakdown Standards. However, the adversarial and partisan nature of civil litigation adds new challenges to the actuary, and to the drafting committee trying to reconcile the general CSOP ideals with the workings of the Canadian legal system. The resulting wording is a compromise between those who wanted a higher standard and those who worried about placing actuaries at a competitive disadvantage with economists, accountants and other professions active in this field.

Readers who are active in civil litigation should first familiarize themselves with the relevant sections of general CSOP, and then note how the general standards are clarified and interpreted within the area-specific standards.

## **2. CONFLICTS BETWEEN PROVINCIAL LAWS AND PRACTICES**

Different statute and case law has emerged in each of Canada's provinces, often resulting from different actuarial practices and recommendations to the courts in different regions. The task of deciding which of these is accepted actuarial practice, and which are acceptable only because the law overrides accepted actuarial practice in the event of a conflict, has not been an easy task.

This conflict permeates Sections 4140 and 4150 of the discussion draft, and both the CSOP Committee and the AE Committee encourage comments from members on this issue.

## **3. CHANGES RESULTING FROM RECENT CASE LAW**

Marriage breakdown practitioners will find several areas where the standards have been updated to reflect changes to case law since the 1993 standard was promulgated.

Examples:

- Because of differences in law, the basic approach to these valuations in British Columbia is increasingly different from other provinces. The B.C. approach is now incorporated more fully within the standards rather than treated as an exception.
- In provinces where "most likely retirement age" results in a value which is less than the literal termination value, it is no longer necessary for the actuary to consider the literal termination scenario to be the minimum value.

## **4. INTERNAL-USER REPORTS REPLACE ABRIDGED REPORTS**

The 1993 Marriage Breakdown Standard allowed for non-conforming "abridged" reports in cases where all values were less than \$10,000 (subsequently increased informally to \$25,000). These abridged reports have generated confusion and complaints, and the concept is in conflict with the general sections of CSOP.

The Actuarial Evidence Committee proposes to adopt the "internal user" versus "external user" reporting standards described in the general CSOP provisions, as a replacement for abridged reports. Thus, regardless of the magnitude of the values, the formal reporting requirements would not apply in cases of a joint retainer, or in cases where the report is going only to one of the two parties to the dispute with a strong statement that it is not to be sent to the other side or used in negotiations or court proceedings.