

May 31, 2022

Office of the Superintendent of Financial Institutions  
culture@osfi-bsif.gc.ca

**Subject: Response to OSFI's letter on Culture Risk Management**

The Canadian Institute of Actuaries (CIA) would like to provide general comments to the discussion questions which the Office of the Superintendent of Financial Institutions (OSFI) has sent out on its industry letter on culture risk management released on March 15, 2022.

Culture risk as summarized in OSFI's consultation is the "...widespread behaviours and mindsets that can threaten sound decision-making, prudent risk-taking, and effective risk management..." of financial institutions, and OSFI is proposing to develop a culture risk management guideline based on six proposed outcomes.

While the CIA agrees that risk culture plays an important role in ensuring the financial soundness of organizations, we are not aware of any evidence that would warrant a separate guideline at this point. If there are specific issues that OSFI feels need to be addressed through this proposed guideline, the CIA would be interested in gaining a better understanding of these issues and any existing problems that need to be resolved. We believe that culture risk management can be enhanced within existing risk management frameworks, and we would encourage OSFI to consider whether the objectives of this proposed guideline could be incorporated into an existing one (such as OSFI's *Corporate Governance* guideline issued in 2018).

As OSFI is aware, actuaries play an intrinsic role in addressing culture risk for their organization within existing risk management frameworks, including risk strategy and risk appetite statements, risk reports to senior management, operational risk reporting, and risk and control self-assessments. As risk managers, actuaries understand the uniqueness of their organization and tailor the framework according to the proportionality and materiality of each risk.

For pensions, standalone pension plan organizations would be similar to insurance companies in their management of culture risk. The pension plan oversight board and senior management would set the tone for culture and the risk management framework. The comments we have provided for insurers apply for these types of pension plan organizations.

In contrast, single employer plans (both defined benefit and defined contribution) typically outsource most activities (e.g., administration, investment, actuarial valuations, risk reporting)

to third parties. Here, culture risk management relates to how the plan is governed, and how third parties are selected and monitored. Decision-making by the sponsor/administrator would be influenced by the sponsoring organization's culture. As a result, most of the principles that are outlined in OSFI's letter do not apply to the pension plan itself, but rather to the sponsoring organization.

While the CIA has stated its concerns about new guidance on culture risk, we would also note that how culture risk is assessed by OSFI in federally regulated financial institutions and federally regulated pension plans is a concern. We would hope that the scope of any new supervisory oversight of culture risk is within a holistic view of OSFI's current supervisory framework (i.e., inherent risks offset by the quality of controls and oversight).

The CIA appreciates the opportunity to provide feedback on these issues, and we would welcome further discussion with you throughout this process.

If you have any questions, please contact Chris Fievoli, FCIA, Actuary, Communications and Public Affairs, at 613-236-8196 ext. 119 or [chris.fievoli@cia-ica.ca](mailto:chris.fievoli@cia-ica.ca).

Sincerely,

[original signature on file]

Michel St-Germain, FCIA  
Immediate Past President, Canadian Institute of Actuaries

*The Canadian Institute of Actuaries (CIA) is the qualifying and governing body of the actuarial profession in Canada. We develop and uphold rigorous standards, share our risk management expertise, and advance actuarial science for the financial well-being of society. Our more than 6,000 members apply their knowledge of math, statistics, data analytics, and business in providing services and advice of the highest quality to help ensure the financial security of all Canadians.*