

Final

Standards of Practice – Practice-Specific Standards for Public Personal Injury Compensation Plans

Standards of Practice Editing Committee

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5000—PUBLIC PERSONAL INJURY COMPENSATION PLANS

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5100 SCOPE

- .01 The standards in this part apply to an actuary's advice on the financial position or financial condition or the pricing of benefits of the following public personal injury compensation plans:

A public workers' compensation system (including its self-insured elements and self-insured employers), and

The *Société de l'assurance automobile du Québec* (SAAQ).

- .02 The standards in this part apply to pricing to the extent that work on pricing depends upon the valuation of benefits. They do not apply to those components of pricing of benefits that are not determined on the basis of an actuary's advice.
- .03 The standards in this part do not apply if the purpose of the valuation for self-insured employers is to account for the plan in the financial statements of the employer.

5200 EXTENSION OF SCOPE

- .01 The standards in this part may also provide useful guidance in the case of a public personal injury compensation plan outside their scope

whose benefits are compulsory for all or virtually all of its users,

which enjoys either a monopoly or a call on government support if its own resources are insufficient, and

whose benefits are statutory, as opposed to contractual.

- .02 The standards in this part do not, however, provide useful guidance in the case of a mere monopoly, such as a monopoly of benefits which are optional or a government monopoly which is expected to operate like a private sector entity.

5300 VALUATION OF BENEFITS LIABILITIES

- .01 *The value of benefit liabilities is the value, by the actuarial present value method, of cash flow after the calculation date on account of claims incurred before that date. [Effective December 1, 2002]*

Assumptions

- .02 *The assumptions for valuation of benefit liabilities should take account of the plan's policy for*

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pricing stability,

smoothing of short-term deviations from the secular trend, and

equity among generations of users,

and may differ from the corresponding assumptions for valuation of an insurer's policy liabilities due to the plan's compulsory coverage and monopoly powers.

- .03 *Those assumptions should also take account of*

expected ad hoc indexing of benefits,

the intermittence of income replacement and rehabilitation benefits as a result of remission and relapse which make those benefits continual throughout life, and

variation in settlement patterns which result from virtually definitive revisions to the plan's benefits or claim practices or changes in economic conditions.

- .04 *The actuary should consider any incomplete funding of the benefit liabilities in selecting the economic assumptions. [Effective December 1, 2002]*

Current and prior assumptions

- .05 *The actuary should report an inconsistency if the current assumption differs nominally from the corresponding prior assumption. Provided, however, that a current assumption which differs nominally from the corresponding prior assumption is consistent with that prior assumption if both are calculated by the same method; for example, a four-year moving average method would not constitute an inconsistency. [Effective December 1, 2002]*

5400 REPORTING: EXTERNAL USER REPORT

- .01 The standards in this section apply to an actuary's report other than a report in a public personal injury compensation's published financial statements which are in accordance with generally accepted accounting principles.
- .02 *In the case of an external user report on work which includes a valuation of benefits liabilities, the actuary should summarize the result of the valuation and describe*
- the Act or other authority under which the valuation is made,*
- the methods and assumptions selected for the valuation of liabilities,*
- if the work includes a valuation of assets, then the method and assumptions used to value them,*
- the funding of the benefits and its effect on the selection of assumptions,*
- the gains and losses, including their quantification, between the prior calculation date and the calculation date, and*
- the matters which require particular monitoring until the next valuation.*
- .03 *If the benefit liabilities make no provision for administration expenses or for future claims arising from latent occupational disease, then the report should so disclose.*
- .04 *The report should disclose the treatment of liabilities for self-insured employers.*
- .05 *If the benefit liabilities make provision for adverse deviations, then the report should so disclose.*
- .06 *The report should be detailed enough to enable another actuary to examine the reasonableness of the valuation. [Effective December 1, 2002]*