

*Final*

**Standards of Practice – Practice-  
Specific Standards for Insurers  
Subsection 2480  
Regulatory Capital Filing  
Certification**

**Committee on Risk Management  
and Capital Requirements**

**May 2006**

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## Memorandum

**To:** All Fellows, Affiliates, Associates and Correspondents of the Canadian Institute of Actuaries

**From:** Simon Curtis, Chairperson  
Committee on Risk Management and Capital requirements  
John Brierley, Chairperson  
Practice Standards Council

**Date:** May 24, 2006

**Subject:** **Standards of Practice – Practice-Specific Standards for Insurers, Subsection 2480, Regulatory Capital Filing Certification for Life Insurers**

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The Committee on Risk Management and Capital Requirements proposed revisions to the current Standards of Practice – Practice-Specific Standards for Insurers regarding the certification of regulatory risk-based capital filings in Canada.

A statement of principles for the development of standards of practice in this area was distributed to the membership on August 10, 2005 and an exposure draft was distributed on November 30, 2005. As a result of comments received in response to the statement of principles, we have clarified through a CIA announcement, that it is the intention of the regulators to apply the certification requirement only to life insurance risk-based capital filings (i.e., not P&C). We have also revised the wording of the opinion that the actuary will sign, in order to make it clearer that the actuary is not attesting to the appropriateness of the underlying regulatory capital formula.

The new standard is attached.

In accordance with the Institute's policy for Due Process, the standard of practice has been approved by the Committee on Risk Management and Capital Requirements, and received approval from the Practice Standards Council on May 17, 2006 for distribution.

These standards have been adopted by the CIA to be effective on September 30, 2006.

JB and SC

This new subsection will be added to the Practice-Specific Standards for Insurers.

## **2480 CERTIFICATION OF REGULATORY CAPITAL FILING**

- .01 This subsection 2480 applies to the appointed actuary of a life insurer when giving an opinion on the appropriateness of capital requirement calculations pursuant to law.
- .02 *The certification should contain an opinion signed by the actuary.*
- .03 *The actuary should prepare a memorandum to support the opinion that outlines the areas where the calculation required discretion or significant technical calculations, and the methodologies and judgments that were applied. The memorandum should be completed before the provision of a signed opinion pursuant to subsection 2480. [Effective September 30, 2006]*
- .04 The opinion will be made annually in support of the fiscal year-end regulatory capital filing on form(s) as prescribed by the regulator.
- .05 In providing such an opinion, the actuary is not opining on whether the underlying factors or specified methods to be followed are appropriate but rather on the appropriateness of any interpretation and discretionary technical calculations and methods with respect to such guidelines.
- .06 The wording of the opinion follows: [insert appropriate wording where indicated by square brackets]

“I have reviewed the calculation of the Minimum Continuing Capital and Surplus Requirement ratios of [Company name] as at [Date]. In my opinion, the calculation of the components of the required and available capital have been determined in accordance with the regulatory guidelines, and the components of the calculation requiring discretion were determined using methodologies and judgment appropriate to the circumstances of the company.”

[Note: For Test of Adequacy of Assets in Canada and Margin Requirements form filings “Minimum Continuing Capital and Surplus Requirement ratios”, and “required and available capital” are replaced by “Test of adequacy of margin”, and “required and available margin”.]

[Note: For filings for provincially regulated companies, the ratio definition and definitions of required and available resources should be amended to reflect the appropriate definitions in the provincial requirements.]