



Actuarial Standards Board
Conseil des normes actuarielles

Final

**Final Standards – Practice-Specific
Standards for Insurance, Incorporation
of Standard Wording for Fairness
Opinions (subsection 2460)**

Actuarial Standards Board

September 2011

Document 211084

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2460 REPORT TO THE DIRECTORS

- .01 *The appointed actuary for a Canadian insurer should report at least yearly to the directors, or to their audit committee if the directors so delegate,*
on the insurer's financial position and financial condition, and
if required by law,
if the insurer has one or more participating accounts,
on the method of allocation of income and expenses to each such participating account,
on the management of the participating account(s), the dividend policy and dividend scales for the participating policy owners, and
if the insurer has adjustable policies in force, on the criteria established or amended by the directors for changes made by the company to the premium or charge for insurance, amount of insurance or surrender value in respect of its adjustable policies.
- .02 *The appointed actuary for a foreign insurer should report at least yearly to its chief agent for Canada on its financial position and financial condition. [Effective December 1, 2011]*

Allocation of income

- .03 The report on allocation of income and expenses among accounts would consider the fairness and equity of such allocation to participating policy owners.

Management of the participating account(s)

- .03.1 The report on the management of the participating account(s) would consider the fairness to participating policy owners of the policy established by the directors respecting the management of the participating account(s).

Dividend policy and dividend scale

- .04 The report on the dividend policy would consider the fairness of the policy to the participating policy owners. The report on the dividend scale would consider the conformity of the dividend scale to the dividend policy and its fairness to the participating policy owners.

Adjustments of adjustable policies

- .05 The report on adjustable policies would consider the fairness of the criteria for changes to adjustable policies established or amended by the directors, the fairness to adjustable policy owners of the adjustments made and their conformity to those criteria.

Fairness opinions

- .06 Where the applicable law requires that the appointed actuary opine on the fairness of the policies, criteria or methods established by the insurer with respect to any of
- management of the participating accounts,
 - dividend policy,
 - dividends declared,
 - policy established respecting the criteria for making adjustments to adjustable policies and the adjustments made under this policy,
 - allocation of investment income to the participating accounts, and
 - allocation of expenses to the participating accounts,
- the wording of an unqualified opinion would be as follows,

Management of participating accounts opinion

I have reviewed the policy established by the Board of Directors with respect to the management of the participating accounts of [the Company], [including amendments made during the most recent 12 months]. I conducted my review in accordance with accepted actuarial practice in Canada and pursuant to the guidance of the Superintendent of Financial Institutions.

In my opinion, the policy is fair to the participating policyholders.

Mary F. Roe
Fellow, Canadian Institute of Actuaries
[Place of issue of opinion]
[Date of opinion]

Dividend policy opinion

I have reviewed the policy established by the Board of Directors for determining the dividends [and bonuses or other benefits] of [the Company], [including amendments made during the most recent 12 months]. I conducted my review in accordance with accepted actuarial practice in Canada and pursuant to the guidance of the Superintendent of Financial Institutions.

In my opinion, the policy is fair to the participating policyholders.

Mary F. Roe
Fellow, Canadian Institute of Actuaries
[Place of issue of opinion]
[Date of opinion]

Dividend declaration opinion

I have reviewed the proposed dividends [and bonuses or other benefits], determined by the Board of Directors of [the company] with respect to policy years [ending between XX and YY], and have considered whether they have been determined in accordance with the policy established by the Board. I conducted my review in accordance with accepted actuarial practice in Canada and pursuant to the guidance of the Superintendent of Financial Institutions.

In my opinion, the proposed dividends [and bonuses or other benefits] are in accordance with the policy established by the Board and are fair to the participating policyholders.

Mary F. Roe
Fellow, Canadian Institute of Actuaries
[Place of issue of opinion]
[Date of opinion]

Adjustable policy changes opinion

I have reviewed the criteria established by the Board of Directors of [the company] with respect to any changes to be made to the premium or charge for insurance, amount of insurance or surrender value in respect of its adjustable policies [including amendments made during the most recent 12 months] and the changes made pursuant to those criteria. I conducted my review in accordance with accepted actuarial practice in Canada and pursuant to the guidance of the Superintendent of Financial Institutions.

In my opinion, the criteria are fair to the adjustable policyholders, and the changes made to the adjustable policies during the most recent 12 months are in accordance with those criteria and are fair to the adjustable policyholders.

Mary F. Roe
Fellow, Canadian Institute of Actuaries
[Place of issue of opinion]
[Date of opinion]

Allocation of investment income to participating account(s) opinion

I have reviewed the method established by the Board of Directors for determining the portion of the investment income or losses of [the company] for the financial year ending [XX], including capital gains and losses, that is allocable to the participating account [each participating account] maintained by the company. I conducted my review in accordance with accepted actuarial practice in Canada and pursuant to the guidance of the Superintendent of Financial Institutions.

In my opinion, the method is fair and equitable to the participating policyholders.

Mary F. Roe
Fellow, Canadian Institute of Actuaries
[Place of issue of opinion]
[Date of opinion]

Allocation of expenses to participating account(s) opinion

I have reviewed the method established by the Board of Directors for determining the portion of the expenses, including taxes, of [the company] for the financial year ending [XX] that is allocable to the participating account [each participating account] maintained by the company. I conducted my review in accordance with accepted actuarial practice in Canada and pursuant to the guidance of the Superintendent of Financial Institutions.

In my opinion, the method is fair and equitable to the participating policyholders.

Mary F. Roe

Fellow, Canadian Institute of Actuaries

[Place of issue of opinion]

[Date of opinion]

- .07 If the appointed actuary is unable to issue an unqualified opinion, the wording of the opinion would be adjusted to reflect the necessary qualification.

2470 COMMUNICATION WITH THE AUDITOR

- .01 Communication with the insurer's auditor would be desirable when the actuary makes a report to the insurer's senior management on a matter requiring rectification or makes an unfavourable report on the insurer's financial condition.

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 appointed actuary.*
- .03 *The appointed actuary should prepare a report 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 report should be completed before the provision of a signed opinion pursuant to subsection 2480. [Effective September 30, 2006]*
- .04 The opinion would be made annually in support of the fiscal year-end regulatory capital filing on form(s) as directed by the regulator.
- .05 In providing such an opinion, the actuary would not be 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 would be [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 ratio”, 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.]