



Actuarial Standards Board  
Conseil des normes actuarielles

# Actuarial Standards Board

## *Strategic Plan*

### **2022-2026**

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## **Introduction**

The Actuarial Standards Board (ASB) is an independent body with authority to establish standards of practice for the actuarial profession in Canada. Actuarial standards describe how actuarial work is to be conducted by members of the Canadian Institute of Actuaries (CIA) and members of other professional actuarial organizations performing actuarial work in Canada.

The current plan was developed by the ASB following a review of the current strengths, weaknesses, opportunities, and threats. This analysis was also discussed with, and received input from, the newly formed Actuarial Profession Oversight Board (APOB).

The purpose of this document is to provide a general work plan over the next five years. The actual implementation plan will form part of ASB's annual plans over the next five years.

## **Mission**

The mission of the Actuarial Standards Board (ASB) is to support the Canadian Institute of Actuaries (CIA) in fulfilling its duty to the public by developing, establishing, and maintaining high quality standards of practice which promote public confidence in the actuarial profession in Canada amidst a changing regulatory and accounting environment as well as evolving international developments.

## **Serving the Public Interest**

The ASB has developed the following guiding principles to better define how the ASB plans to serve the public interest:

### ***Defining Objectives***

- To ensure that all relevant parties whose interests are served by the ASB are identified as part of the standard-setting process;
- To ensure that the standard setting process is balanced in considering the interests of all relevant parties; and
- To ensure that any potential conflicts of interests or biases that may apply to the standard setting process are identified and addressed.

### ***Comprehensiveness***

- To ensure actuarial standards of practice:
  - Are kept current and respond in an appropriate manner to new developments in actuarial science;
  - Consider new developments in the regulatory and accounting environment;
  - Ensure that actuaries perform their work within an appropriate range of practice, while making use of professional judgment where needed;

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- Encourage the work of the actuary to be relevant, transparent, complete and comprehensible;
- Are such that users of actuarial information can place a high degree of reliance in the work of the actuary; and
- Support well informed decision-making.
- To ensure minimum standards apply to key areas of actuarial practice through:
  - General standards of practice which allow for a reasonable range of appropriate practice; and
  - Practice-specific standards where it is in the public interest to have a narrower range of practice in a specific area of actuarial practice.

### ***Accountability***

- To ensure all relevant parties are aware of existing standards and proposed changes and have easy access to such information;
- To appropriately balance the need for standards with the administrative burden and cost of compliance; and
- To ensure due process for acceptance of standards is structured to allow sufficient discussion around new, or changes to, standards of practice from all interested parties and meets the rigour expected from a professional organization.

### ***Support of International Best Practices***

- To promote the development of international standards for alignment of best practice between Canada and other jurisdictions.

### **Current Status**

The public benefits from the independent oversight by the APOB, who monitors the work of the ASB and provides input to the ASB work and operations. The newly formed APOB will have three CIA members appointed by the CIA Board in addition to its current members and will also oversee the Professional Conduct Board (PCB), which will have the complementary benefit of a feedback loop between standard setting and professional conduct.

The ASB has adopted a strong and proven standard setting due process that always takes into consideration the protection of the public interest. The due process is a publicly available document that requires a disciplined approach to setting actuarial standards, allows for consultation with all interested parties (actuaries and non-actuaries) and makes the ASB accountable to the public for the standards it adopts.

As global leaders in the development of insurance standards and by having adopted standards in all major practice areas in Canada, the ASB regularly provides input into the development of international best practices as represented by proposed international standards. The profession in

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Canada must also follow General Standards of Practice that provide overall guidance for all actuarial work whether covered by one of the practice specific standards or not.

The ASB is composed of dedicated and experienced professionals, each a leader in their own practice areas, to conduct the business of overseeing and setting actuarial standards of practice.

The primary goals are to:

- Maintain this leadership position; and
- Continuously improve standards and due process where necessary to ensure the continued relevance of standards and maintain the confidence that the public has in the actuarial profession.

## **Strategies for the Next Five Years**

The areas for improvement identified as part of the analysis of threats, weaknesses and opportunities have been grouped in the following three categories, namely, critical, important, and general actions.

### ***Critical***

Concurrent with the governance changes recently implemented by the CIA, the ASB has identified the following critical objectives for the 2022-2026 strategic planning period:

1. Work effectively with the Actuarial Guidance Council (AGC) to ensure that the membership composition of designated groups is optimal for the purposes which they serve and to ensure that the development of new standards is undertaken in conjunction with the effective preparation of educational material for practitioners, which is expected to enhance the consistency in implementation of new actuarial standards.
2. Strengthen the relationship with APOB to ensure that two-way communication takes place on a regular basis and that input and advice from the APOB is pro-actively sought out.
3. Build on the existing strong relationships between the ASB, the CIA and various regulators, to ensure that there is an effective partnership between the standard-setting body for the profession and these stakeholders and to ensure that respective roles are well defined and clear to all relevant parties.

### ***Important***

#### ***Pensions***

The pension plan landscape continues to exhibit ongoing and rapid change. This includes

- legislative and regulatory developments with variations across jurisdictions,
- the trend towards reduced focus on solvency funding coupled with an enhanced focus on going concern funding with provisions for adverse deviations (PfADs),

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- the introduction of new target plan designs and plan designs that require calculations under stochastic modelling as opposed to deterministic calculations,
- financial market volatility and low interest rates, and
- the implementation of a wider range of investment strategies (e.g., use of alternative asset classes, customized fixed income strategies, leveraging strategies).

Practitioners responsible for pension plan actuarial work should also refer to the general standards as well as practice specific pension standards. However, these developments may not be adequately covered by existing standards and these require ongoing evolution.

As a response to the changing and evolving pension environment, the ASB has identified the following important objectives:

- Complete the periodic comprehensive review of the practice-specific pension standards
- Monitor developments in the pension environment, and work closely with CIA committees and councils, and with regulators, to ensure that the ASB is responsive to these developments
- Ensure that pension standards remain relevant and evolve in response to changes in the pension environment
- Ensure that pension standards balance the interest of all stakeholders, and result in disclosures and reporting that is useful to users, and informs the public, while adequately considering administrative burden and cost of compliance
- Ensure that pension standards remain broad enough to allow creative solutions, while covering all situations and remaining in the public interest. In this context, the interest of all stakeholders and the long-term sustainability of the pension landscape must be considered.

### ***Insurance***

It is expected that the International Accounting Standards Board® will release their final standards for the Financial Reporting of Insurance Contracts during the planning period with an anticipated effective date of 2023. This international accounting standard will replace significant portions of the current Canadian actuarial standards (Life, Property and Casualty, and Public Personal Injury Compensation Plans) dealing with valuation of liabilities and financial measurement. The International Actuarial Association is in the process of compiling model actuarial standards supporting this accounting standard. The new accounting standards are principles based.

As a response to this environment, the ASB has identified the following initiatives:

1. Closely monitor developments in relation to IFRS 17 as it is implemented in the Canadian financial industry.
2. Consider whether further revisions to Canadian standards are desirable beyond the international requirements. This may include potential consideration of promulgation requirements within the Canadian context (e.g., discount rates). The ASB will endeavor to provide milestone dates for key decisions so that relevant parties can provide input, assess and implement in a timely manner.

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3. Work closely with CIA committees and councils to ensure that Canadian actuaries are well informed on the implications of the new international standards to Canadian practice and of the ongoing duties of the profession as they apply to the public interest in this regard.
4. Support and redefine as needed the continued role of the Appointed Actuary (AA) to ensure the AA has sufficient authority to protect the public interest, facilitate informed decision making and is able to effectively comply with the requirements of the Insurance Companies Act.

### ***Other Practice Areas***

For other practice areas, including actuarial evidence, public personal injury compensation plans, post-employment benefit plans and social security programs, ensure that standards remain current and reflect the changing environment. The ASB will work with the Practice Development Council (PDC) and the committees representing these practice areas to ensure that relevant topics are identified and that the standard-setting process remains aligned with any initiatives which are identified. Quinquennial reviews of all sections of the Standards of Practice will continue and are already underway for several of these practice areas.

### ***Emerging Practice Areas***

For emerging practice areas, such as enterprise risk management, climate change, and predictive modeling, monitor external and international developments to assess how best to reflect these areas in the standard-setting process. The ASB will work with the PDC and the International Affairs Council (IAC) to ensure that relevant topics are identified and that the standard-setting process remains aligned with any initiatives which are identified.

### ***General Actions***

The ASB has identified a number of other actions that, while not related to a particular standard or practice area, are seen as important to improve the operation of the ASB, the quality of standards and the effectiveness and transparency of the standard-setting process. These actions are as follows:

1. Monitor emerging issues to identify in a timely manner the potential need for new actuarial standards (e.g., enterprise risk management). One means of achieving this will be to invite practitioners with experience in these areas to present at ASB meetings from time to time.
2. Monitor local and international developments that may affect existing or emerging actuarial standards and apply, where appropriate, learnings from the evolution of actuarial practice outside of Canada. One means of achieving this will be through liaison with the IAA Professionalism Committee which has absorbed the duties previously undertaken by the Standard-Setters Round Table.
3. Work on defining convergence with international standards with a goal of developing standards that are well aligned, where appropriate, with model standards developed by the IAA taking into account the actions of the other actuarial local standard setters.

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4. Strengthen the working relationship between the ASB and the various designated groups (DGs). One means of achieving this will be by enhancing ongoing regular communication between the ASB and each active DG.
5. Engage more proactively in the review and consideration of feedback received on exposure drafts. One means of achieving this will be by ensuring that ASB members and DG members with differing points of view are encouraged to share their perspectives, including the perspectives of members from different practice areas.
6. Work on improving consistency between actuarial standards wherever applicable to minimize risk of having practice silos. One means of achieving this will be to appoint members to DGs with experience from other practice areas.

### **Monitoring ASB Progress**

The ASB will regularly monitor its progress in implementing this strategic plan as part of its reporting to APOB. A comparison of actual versus desired results on the strategic plan will be included as part of the annual report to APOB and the CIA.

Annual plans will be developed by the ASB to incorporate both its regular planned activities as well as elements of this strategic plan. In addition, the ASB, as part of its regular activities, will monitor developments and recommend changes to priorities, where necessary.

APOB oversees ASB activities and will be able to assess ASB's performance relative to the strategic and annual plans to ensure an effective and efficient fulfillment of ASB's public interest mandate as defined per the guiding principles.