

ACTUARIAL STANDARDS BOARD (ASB) MEETING N° 124
JUNE 8, 2022
VIDEOCONFERENCE
10:00 – 15:47

Present: Mel Bartlett
Thierry Chamberland
Renée Couture
Stéphanie Fadous (*left at 15:30*)
Edward Gibson, *vice-chair (left at 15:15)*
Azmina Jiwani
Jamie Jocsak
Josephine Marks, *chair*
Simon Nelson (*left at 13:00*)
Marshall Posner
Lesley Thomson
Yun (Bill) Xu (*left at 13:50*)
Steve Easson, *ex officio*

Absent: Pierre Dionne

Staff: Lynn Blackburn for item 11; Josée Racette

Guests: James Koo, Dani Goraichy, and Charly Pazdor for item 6a; Kelley McKeating for item 6b; Mario Robitaille for item 6c; Jacques Tremblay for item 6d; François Boulé for item 6f; Luc Farmer for item 7; Micheline Dionne for item 8; Simon Curtis, Dean Newell for the entire meeting; all at the invitation of the Chair.

The Chair opened the meeting. She reported that APOB has approved the nomination of two new ASB members as of July 1, 2022: Simon Curtis and Steve Easson. A warm welcome was extended to them.

Special thanks were extended to two ASB members who have completed their mandate: Stéphanie Fadous and Simon Nelson. Both made great contributions to the work of the board.

The Vice-chair and ASB members extended their gratitude to the Chair who will complete her mandate at the end of June. Her leadership was greatly appreciated.

124.1 Approval of Agenda

Motion: That the agenda be approved as presented.

Carried

124.2 Previous Minutes

The minutes from the May 5, 2022, meeting were reviewed.

A few edits were noted.

Motion: That the minutes of ASB meeting N° 123 held on May 5, 2022, be approved as amended.

Carried

124.3 Email votes

There was no electronic vote since the last meeting.

124.4 Disbanding Designated and Working Groups

There is no designated or working group to disband.

124.5 Review of Action Items

All action items were reviewed. The list will be updated.

Progress against our strategic plan: this item was covered at the last ASB meeting.

Discount rate template: This topic will remain as a future item for consideration by the new Chair.

Work outside Canada: A webcast on the topic was held May 11, 2022. The CIA leadership has expressed its desire for a broader communication to CIA members given the importance of the topic. An educational note covered several aspects was released in 2005. The AGC will consider whether it should be updated and its potential impact on standards.

Internal website: Documents will be uploaded to Aprio by the Head Office and ASB members advised on how to access them.

Ethical Concerns research paper: This topic will remain as a future item for consideration by the new Chair.

IFoA Guidance on Data Science Ethics: The Committee on Property and Casualty Insurance Pricing, which is preparing a document on bias and ethics, will be invited to discuss the topic with the ASB.

International Sustainability Standards Board: on the agenda.

Research project on pension commencement age: An update was provided. The CIA Research Council has declined the request for funding (issues with the fee requested by the researcher and ownership of data). ASB members expressed their disappointment over the decision of the Research Council. It was felt that it would be useful to have the information that would have been generated by the research project prior to the next scheduled review of the commuted values standards to assess the reasonableness of the assumptions.

124.6 Reports from Designated Groups

a) Quinquennial Review of Part 3000

James Koo, Dani Goraichy, and Charly Pazdor joined the meeting for this item. Final standards were presented for approval. The proposed effective date is December 1, 2022. However, the DG recommends that if the standards cannot be published before July 2022, the effective date would need to be revised to ensure all stakeholders have sufficient time to get ready and update their systems, if required.

It was noted that the DGs wanted to ensure that the standards were principles-based and to leave it to the practice committee to explain how to apply the standards. The CIA Committee on Pension Plan Financial Reporting (PPFRC) will prepare an educational note.

Some minor edits to the standards were suggested. More substantive edits were discussed, especially on the issue of the responsibility of the actuary. In light of the suggested edits, it was agreed that the wording of the memorandum for distribution to stakeholders would be revised and the documents submitted to the ASB for approval via electronic means.

The update from the working group looking into the issue of target benefit plans was deferred to the next ASB meeting.

The ASB Chair thanked the chairs of the three DGs and their respective DGs for their work.

b) Quinquennial Review of Part 4000

Kelley McKeating joined the meeting for this item and presented an exposure draft for approval. The following was noted:

- ASB due process was followed in the preparation of the exposure draft.
- There are not many (if any) substantive changes.
- The standards are well regarded by the stakeholders in the actuarial evidence community.
- The wording pertaining to quality assurance (Part 1000) was being revised.
- The DG made every effort to ensure consistency among the different practice areas.

It was noted that the memorandum to members is well drafted.

A few edits to wording in both Part 1000 and Part 4000 were suggested. Concern was expressed about the proposed wording related to peer review.

The potential for promulgation in subsection 4500 was raised. After some discussion, it was agreed that a quinquennial review is sufficient.

It was also suggested that an education session for ASB members on the use of models would be very useful.

It was agreed that the exposure draft (with the suggested edits) will be presented for approval via an electronic vote.

The Chair thanked the DG for its work.

c) ISAP 6

Mario Robitaille joined the meeting for this item and presented an exposure draft for approval.

It was noted that some suggested edits and comments had been forwarded to the Chair of the DG prior to the meeting. Additional suggested minor edits will be shared by email.

It was also suggested that the DG organize a webcast to present the exposure draft, answer questions, and obtain feedback. The DG is open to this suggestion.

The deadline for comments will be confirmed by the DG.

Motion: That the *Exposure Draft to Review the Standards of Practice for Consistency with ISAP 6 – Enterprise Risk Management Programs and IAIS Insurance Core Principles* be approved as presented, for release and that the chairperson of the designated group, in consultation with the Head Office, be authorized to make any necessary editorial corrections (e.g., spelling, punctuation, format, grammar, cross-references) prior to its release.

Carried by at least 2/3 of members

The Chair thanked the DG for its work.

d) Joint Policy Statement

Jacques Tremblay joined the meeting for this item and he presented an exposure draft for approval. The following was noted:

- This exposure draft is the result of a joint initiative with the Auditing and Assurance Standards Board (AASB).
- The scope was clarified.
- Consideration of the work of the other professional (the individual remains responsible).
- Communication: each professional understands the scope to avoid misunderstandings.
- Effective date: on or after March 31, 2023.
- Webinars (in August and September) will be organized jointly with the AASB.
- Deadline for comments: September 19, 2022.

It was noted that paragraph 3b could create some confusion (the auditor does not have to be concerned about interaction with the auditor's actuary). One additional minor edit was suggested.

The audit guide is also being updated. A small group has been formed, co-chaired by Jacques Tremblay. The timeline will be different from that for the JPS (much more work required).

Subsequent to the publication of the guide, the two entities might consider broader communication.

Motion: That the *Exposure Draft – Revised Standards of Practice – subsections 1510 and 1520 CPA Canada/CIA Joint Policy Statement* be approved as presented, for release and with a comment deadline of September 19, 2022, and that the chairperson of the designated group, in consultation with the Head Office, be authorized to make any necessary editorial corrections (e.g., spelling, punctuation, format, grammar, cross-references) prior to its release.

Carried by at least 2/3 of members

The Chair thanked the DG for its work.

e) Reliance on Third Party Data Providers

A Chair has been recruited for this DG. The mandate has not yet been approved (seeking input from the DG).

Motion: That Timothy McGorman be appointed as Chair and Dean Newell be appointed as a member of the Designated Group on Reliance on Third Party Data Providers, effective immediately.

Carried

f) Designated Group on the Quinquennial Review of Part 7000

François Boulé joined the meeting for this item. He provided an overview of progress to date. The following was noted:

- Good progress has been made to date. The DG is comprised of individuals with the proper experience and expertise.
- The DG is striving to achieve more consistency with Part 1000.
- Discussions are taking place on subsequent events for social security. The objective of the DG is to add more clarity.
- The DG is considering IASP 2 as it proceeds with its work.
- The DG targets the presentation of a notice of intent to the ASB in the fall.

The Chair of the DG will be invited to attend ASB meetings to provide regular updates, thereby ensuring effective two-way communication.

The Chair thanked the DG for its work.

g) Quinquennial Review of Part 6000

The ASB received an update and the following was noted:

- Regular meetings are convened and will continue over the summer.
- The changes to be proposed are not expected to be significant.
- The DG expects to present an exposure draft to the ASB at the end of August or early September.

Efforts are still being made to recruit a permanent Chair.

h) IFRS 17 and Role of the Actuary in the IFRS 17 Context

The DG on the Role of the Actuary will review (and help) with the drafting of the educational note on the role of the AA. The work is progressing a little slower than anticipated.

Since the CIA International Insurance Accounting Committee has been disbanded, there was some discussion as to which entity would deal with implementation issues that may arise.

124.7 IAA ASC Update to ASB

Luc Farmer joined the meeting for this item. He is the Vice-chair of the IAA Actuarial Standards Committee (ASC). Luc provided an overview of the work of the ASC. He presented the purpose of standards and the four cornerstones of good governance, namely: qualification standards, code of conduct, practice standards, and disciplinary process.

The CIA is well aligned and very involved with the IAA. It was noted that practice standards are in place to protect the public interest.

The IAA provides model standards that can be adapted to the local context. They complement other standards such as accounting standards. The IAA cannot force a standard on a country.

The IAA has a due process. A first draft is prepared by a task force, presented to the ASC, then to all member associations. Standards then undergo a quinquennial review.

Six IAA standards have been adopted as follows:

- ISAP 1 General Actuarial Practice
- ISAP 2 Social Security
- ISAP 3 IAS 19 Employee Benefits
- ISAP 1A Governance of models
- ISAP 4 IFRS 17 Insurance Contracts
- ISAP 5 Insurer Enterprise Risk Models
- ISAP 6 Enterprise Risk Management Programs and IAIS Insurance Core Principles
- ISAP 7 (exposure draft) Current estimates IAIS capital standards

It was noted that the IAA will not prepare a standard if a supranational organization already provides sufficient guidance.

Discussions are taking place on climate change and the effects on actuarial practice. A statement of intent has not been released.

A lot of observers attend meetings of the ASC. The ASB is well positioned as Simon Curtis is a member of the committee and will be able to update the ASB as required.

The Chair thanked Luc for a very informative presentation.

124.8 International Sustainability Standards Board

Micheline Dionne joined the meeting for this item. She provided an overview of the work of the International Sustainability Standards Board (ISSB).

Micheline started by highlighting the ISSB structure, stating that the ISSB is focused on disclosure. About one year ago, a consultation document was issued, aimed at delivering a comprehensive global baseline of sustainability-related disclosure standards and provide information to investors and market participants.

So far, the ISSB has only two members (a Chair and a Vice-chair). Four additional members are being recruited and four more will be recruited soon.

The ISSB has three different sites: Frankfurt, Montréal, and Asia/Oceania (to be announced later). The Board will be meeting in Montréal at the end of June.

Two standards have been released so far in draft form:

- S1 – General Requirements for Disclosure of Sustainability-related Financial Information
- S2 – Climate-related Disclosures

Scope definition is intended to raise awareness for the company. Scope 3: the challenge is to obtain credible data.

There was a discussion on what the ASB should be doing.

S1: it is very general so far. Not much to add at this point.

S2: it is much more specific as it refers to climate scenarios.

The IAA ASC is looking at the possibility of developing climate standards (still at the early stage). The IAA has developed several papers on climate change so far.

It was noted that Europe is way ahead of these standards (where they were ranked ahead of IFRS 17). A few months ago, the CIA Climate Change and Sustainability Committee (CCSC) made a presentation to the ASB. The CIA Board has created a Climate Change Steering Committee. The Office of the Superintendent of Financial Institutions (OSFI) has also made climate change one of its priorities. The ASB should be proactive (help the IAA or come up with its own standards).

The Chair thanked Micheline for a very informative presentation.

124.9 Updates from the PDC, the IAC, and the Research Council

PDC (Practice Development Council)

The revised employment codes are expected to be released in the near future.

The services of a marketing firm have been secured to promote practice area profiles (new landing pages to highlight the work of actuaries across different practice areas).

Future skills and knowledge inventories: The PDC intends to be more active with practice resource documents.

Research paper was published on reserving and risk management for condo maintenance.

IAC (International Affairs Council)

A written update was included in the meeting material.

Research Council

The Research Council met once since the last ASB meeting. There is nothing to report beyond the discussion on the research project on retirement age, reported above under item 124.5.

124.10 Report from APOB

The last APOB meeting was fairly routine. The ASB Chair provided an update on ASB activities.

The APOB Nominating Committee encourages the following:

- a broader process for recruiting new ASB members, such as a call to candidates. The ASB already proceeds to a call to candidates to recruit chairs.
- the addition of non-actuaries as ASB members. Although there is no real reason for not having non-actuaries on the ASB, the discussions get fairly technical. It was noted that it does not preclude non-actuaries from serving on DGs. Non-actuaries are also consulted on notices of intent and exposure drafts. It was felt that the ASB already has a diverse pool of expertise in various practice areas and the addition of non-actuaries is not required.

124.11 Conflicts of interests

Jamie Jocsak provided an update on this topic, which is of great interest to APOB and the ASB. He provided some background information, indicating that the working group reviewed documentation and came to the conclusion that conflicts of interests represent a subset of the code of conduct.

The CIA has started a review of the Rules of Professional Conduct. It was suggested that the ASB could provide suggestions to the CIA (pertaining specifically to the ASB and DGs). The working group also examined practices in similar organizations around the world and prepared a summary. No other organization has documents on the topic besides their code of conduct.

It was suggested that the Rules of Professional Conduct could provide explanations and potential scenarios within the same document. The working group will collaborate with the CIA Governance and Nominations Committee.

124.12 Updates from various practice committees

Committee on the Appointed/Valuation Actuary: The committee is reviewing various IFRS 17 documents and is developing an educational note on the role of the AA under IFRS 17 (progress slower than anticipated).

Committee on Life Insurance Financial Reporting:

IFRS 17 educational notes are being finalized.

Work has begun on the CLIFR fall letter.

Committee on Risk Management and Capital Requirements (CRMCR): No update available.

Committee on Property and Casualty Insurance Financial Reporting (PCFRC): No update available.

Committee on Property and Casualty Insurance Pricing: The committee is proposing a review of wording in Part 1000. If the ASB decides to move ahead, it will need to set up a DG.

The committee is developing a document on bias and ethics. The ASB will request education on this topic to provide a context for the potential changes to Part 1000 of the Standards.

Committee on Workers' Compensation: No update available.

Committee on Pension Plan Financial Reporting: No update available.

Task Force on Gender Identity: No update available.

The ASB appointed liaisons to various DGs and committees as follows:

- ISAP 6: Renée Couture (replacing Josephine Marks)
- CLIFR: Simon Curtis (replacing Stéphanie Fadous)
- CRMCR: Lesley Thomson (replacing Stéphanie Fadous)
- PPFRC: Thierry Chamberland (replacing Simon Nelson)
- TF on Gender Identity: Marshall Posner (replacing Simon Nelson)

124.13 Webcasts

The ASB is considering organizing a webcast on the following topics:

- ISAP 6
- Joint Policy Statement
- Part 3000

124.14 Report on Recent/Upcoming Meetings

The ASB received a report on recent meetings involving the ASB and the following was noted:

Actuarial Guidance Council (AGC) meeting on May 10, 2022

- A summary was provided in the meeting material. It was noted that the AGC expects to approve three IFRS 17 educational notes at its next meeting, namely: educational note on discount rates (P&C); educational note on non IFRS 17 valuations; and IFRS 17 educational note for public personal injury compensation plans. The remaining notes include coverage units, reinsurance, discount rate applications, role of the AA, and disclosures.
- The final version of the note on discount rates (life) will be forwarded to the external stakeholders consulted.

CIA/ASB/APOB/CAPSA meeting on June 7, 2022

- The CIA, ASB, and APOB meet with CAPSA as part of its annual meeting with stakeholders. In addition, CAPSA's Standards Committee normally holds another meeting with the profession (in the fall).
- Brief updates from the CIA and the ASB were provided.
- There was a brief discussion on appropriate actuarial assumptions and how to contact the CIA if confronted with a problematic situation. The process is slightly different depending on whether it is a systemic or a specific situation.
- The following additional topics were discussed: variable payment life annuities; environmental, social, and governance; locking in rules; surpluses; and security of benefits.
- It was mostly a one-way discussion/update.
- APOB had a private discussion with CAPSA.

124.15 Future Meetings

The ASB will confirm its intended upcoming meeting schedule soon.

124.16 Other Business

There was no other business to be discussed.

The Chair thanked everyone for their support during her mandate.

There being no further business, the meeting concluded at 15:47. The date of the next meeting of the ASB will be announced as soon as possible.