

**ACTUARIAL STANDARDS BOARD (ASB) MEETING N° 119**  
**OCTOBER 13, 2021**  
**VIDEOCONFERENCE**  
**10:00 – 15:30**

**Present:** Mel Bartlett  
Thierry Chamberland  
Renée Couture  
Pierre Dionne  
Stéphanie Fadous  
Azmina Jiwani  
Jamie Jocsak  
Josephine Marks, *chair*  
Simon Nelson  
Marshall Posner  
Lesley Thomson (*until 15:00*)  
Yun (Bill) Xu  
Steve Easson, *ex officio*  
Michel Simard, *ex officio (left at noon, present 14:00 to 14:45)*  
Dean Newell, *guest*

**Staff:** Josée Racette

**Guests:** Mario Robitaille for item 6b; Simon Curtis for item 6d; Jimmy Dang for item 6f; Joel Li for item 10; Frank Grossman for item 15; all at the invitation of the Chair.

The Chair opened the meeting.

**119.1 Approval of Agenda**

**Motion:** That the agenda be approved as presented.

**Carried**

**119.2 Previous Minutes**

The minutes from the September 8, 2021, meeting were reviewed.

The comments in the minutes were reviewed and dealt with.

**Motion:** That the minutes of ASB meeting N° 118 held on September 8, 2021 be approved as amended.

**Carried**

**119.3 Email votes**

There were no electronic votes since the last meeting.

**119.4 Disbanding Designated and Working Groups**

There is no designated or working group to disband.

**119.5 Review of Action Items**

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

Research project on pension commencement age: Mel Bartlett reported that the expression of interest on the request for proposal are expected soon. The project oversight group is expected

to meet before the next ASB meeting to review the expressions of interest. There is reasonable optimism that there will be a candidate.

Strategic plan: A status report will be produced to facilitate the discussion/review. It was suggested that once a year, half a day be set aside for a strategic discussion.

## **119.6 Reports from Designated Groups**

### *a) Quinquennial Review of Part 3000*

The exposure draft was published. A few comments have been received and more are expected.

Follow up with the Chair of the Professional Conduct Board on whether the standards as written raise concerns from a discipline perspective remains as an action item.

It was noted that there is informal push back on the issue of whether actuaries are fiduciaries. This was discussed later in the agenda as part of item 119.14.

There was a brief discussion about the possibility of regulator(s) overruling our standards on commuted value for target pension arrangements. The ASB will add this topic to the agenda of the November ASB meeting.

### *b) ISAP 6*

Mario Robitaille joined the meeting for this item and provided an update. He reported that the DG decided to develop a separate part (Part 8000) of the standards to deal with ISAP 6. Work is progressing well (some adjustments to the wording are required to ensure consistency with the other parts) and the DG expects to be able to share it with the ASB soon. Some work remains to be done on the definitions.

It was recommended that the DG reach out to the Enterprise Risk Management Practice Committee, the Committee on Risk Management and Capital Requirements, and the Committee on the Appointed/Valuation Actuary for comments on the exposure draft.

The Chair thanked Mario and his DG for their work.

### *c) Quinquennial Review of Part 4000*

Jamie Jocsak provided a brief update. The group does not expect any controversial issues in the exposure draft.

### *d) IFRS 17*

Simon Curtis joined the meeting for this item.

The Chair indicated that a formal written response to the Autorité des marchés financiers had been drafted but not yet circulated to the ASB. An overview of the draft response was provided. The DG feels that there is no compelling reason for promulgation – the only item which would logically be subject to promulgation is the risk-free curve which is not an area where practice is expected to be materially divergent.

If the ASB were to decide to promulgate, it could extract the necessary information from Chapter 2 of the educational note on discounting. The Chair of the DG confirmed that a promulgation would be possible at a later date if that were deemed to become appropriate.

The DG will not be disbanded until after January 1, 2023.

The timeline for the publication of final standards was reviewed. It was decided that the final standards will be presented to the ASB for approval at the November ASB meeting. Each DG (IFRS 17, and the Role of the AA) will prepare its own cover letter to the ASB, but the memo to members will be released jointly.

It was suggested that the messaging (and timing of release) in the cover letter to the note on discount rates and the response to AMF be coordinated.

The Chair thanked Simon and his DG for their work.

e) *Role of the Actuary in the IFRS 17 Context*

Lesley Thomson reported that the DG held a session at the AA Seminar, similar to the session offered at Act21. An update on the wording change to the opinion was provided. No negative comments were received.

Lesley also provided an update on the status of the educational notes being developed to support the revised standard. All notes that have been released in draft form are being updated and will be released 'together' at the end of 2021/early in 2022.

It was noted that IAN 100 was approved as a CIA educational note (with a preamble) on October 12, 2021.

There was a brief discussion on the process to finalize the standards and adopt them with an effective date of January 1, 2023. It was noted that the current standards would remain in effect for financial reporting periods prior to transition to IFRS 17, although work would proceed concurrently in developing comparative results for prior periods for use after transition.

The Chair thanked Lesley and her DG for their work.

f) *Quinquennial Review of Part 6000*

Jimmy Dang joined the meeting for this item and he provided an update on the work of the DG. The following was noted:

- The notice of intent was released in June with a deadline for comments in mid-September. Responses were slow coming in. A few stakeholders asked for an extension.
- Four responses (one from an individual and three from firms) were received. Respondents generally agreed with the DG's vision on more concise standards and additional information on setting the assumptions needed, while remaining principles-based.
- The development of guidance would be helpful. It could be developed by the Committee on Post-employment Benefits Plans (which reports to the PDC) and approved by the AGC.

The Chair thanked Jimmy and his DG for their work.

### **119.7 Discount Rates Across Practice Areas**

The Chair observed that the discussion held previously was an education session as intended. The ASB should now decide on a direction (including consideration of whether there is a problem that we need to solve).

The differences across practice areas can likely be explained by the purpose of the work. For example, for reporting purposes, the differences are explained by the accounting standards that the actuary must follow.

In other cases, the ASB must strive for consistency.

It was suggested that having a document explaining the differences would be very helpful.

#### **119.8 Designated Group on Reliance on Third-Party Data Providers**

The ASB members reviewed basic criteria for recruiting DG members. The issue of conflict of interest when serving on a DG was discussed. It was agreed that acknowledging a potential conflict then makes it possible to deal with it.

A few individuals have been recruited; the DG may start its work even if all members have not been recruited (a Chair still needs to be recruited). All efforts will be deployed to approve the names at the November ASB meeting.

#### **119.9 Designated Group on Updating the Joint Policy Statement**

The Chair reported that the Accounting Standards Board (AcSB) had issued a communication seeking volunteers to serve on the Joint Task Force. Expressions of interest have been received. A meeting with the AcSB is scheduled next week to discuss the background of the potential members and ensure diversity (geographic, of expertise/area of practice, and type of employer).

#### **119.10 Update from the Committee on Predictive Modelling**

Azmina Jiwani introduced Joel Li, the Chair of the Committee on Predictive Modelling. He joined the meeting to provide an update on the work of the committee and discuss with ASB as to whether and when the committee sees a need for specific standards or if they can be included as part of modelling standards in Part 1000.

Joel indicated that the PDC, as part of its review of CIA employment codes, will assign a dedicated code to predictive modelling. He provided a brief introduction of the committee and its members, the committee's mandate, and its priorities.

Predictive modelling is a tool that can be applied in all practice areas. The differences between traditional statistical methods and predictive modelling were explained, such as it is easier to detect the interaction between variables but one is more limited in the ability to extrapolate.

Care must be taken to ensure that a model developed for a specific purpose will not be used for an unintended purpose.

A P&C research paper on predictive modelling will soon be published.

Implications for current and future standards were reviewed, such as increased recognition for fairness and biases in AI, guidance and regulation (by regulatory bodies like FSRA), model governance/risk frameworks, development of principles-based standards to help actuaries in the development of predictive models.

The Chair thanked Joel for his presentation.

#### **119.11 Definition of "work in Canada"**

The Vice-chair reported that the American Academy of Actuaries (AAA) is introducing a new qualification standard. The qualification standard does not recognize "foreign" qualifications, which could pose challenges for the CIA, considering the new education pathway where over

time, there would be very few Canadian actuaries allowed to sign US GAAP work unless they become members of the AAA.

This situation could also be problematic for pension and insurance practitioners doing work under IFRS 17 for a foreign parent should local actuarial standards be significantly different than the CIA's.

The question was raised of whether the educational note on the applicability of standards (document 205122) should be updated. The ASB recommends to the AGC that updating be considered.

#### **119.12 Public Sector Accounting Standards – Exposure Draft – Employee Benefits, Proposed Section 3251**

An [exposure draft](#) has been released by the PSAB on employee benefits. The CIA had commented on the notice of intent and a drafting group has been formed to reply to the ED. A meeting with PSAB is planned in October to discuss the issue of discount rates (market vs. expected returns). The CIA would also like to obtain PSAB's view on what they consider as being the "public".

#### **119.13 Dealing with Conflicts of Interest on ASB**

Jamie Jocsak provided an update. The group met a few times and is considering setting up a shared drive containing ASB working documents such as policies (and perhaps a module for conflicts of interest at a later date).

The group is currently reviewing conflict of interest guidelines for ASB and DG members. One issue being discussed is what would happen if there is a disciplinary charge under the CIA Bylaws against a DG member. Would that person get 'disqualified' from serving on a DG? What is a material conflict of interest? A threshold may need to be established. Public interest and the interest of the profession need to be clearly defined.

A more detailed update will be provided at the November ASB meeting.

#### **119.14 Legal Reviews**

The ASB discussed when it should request a legal review. It was felt that it is any time an issue is out of the actuarial domain.

Some felt that in retrospect, it might have been useful when the Bank of Canada modified rates retrospectively.

It was suggested that it would be helpful to organize an education session on the topic of whether actuaries may be deemed to serve as fiduciaries.

#### **119.15 Ethics Report**

Frank Grossman joined the meeting for this item. He provided an overview of the report, which had been prepared to raise awareness of ethical issues and start a discussion.

The survey listed 14 generic ethical issues, presenting them on two different angles: situations observed in the past and the potential for them to occur in the future.

The report provides qualitative and quantitative data. Some of the themes in the feedback received include members "being under pressure from different sources" as a contributing factor, the "reputation risk borne by actuaries", and "maintaining a proper degree of professional courtesy and respect."

It was also noted that younger actuaries are no less sensitive to ethical issues.

The ASB must ensure its standards are clearly communicated. The ASB will schedule time at a future meeting to review the more detailed findings of this survey.

The Chair thanked Frank for his presentation.

#### **119.16 Updates from the PDC, the IAC, and the Research Council**

##### ***PDC (Practice Development Council)***

The PDC has not met since the last ASB meeting. It will now meet quarterly.

The New Members Advisory Group presented a report on the unique skills set of actuaries. The next step will be to interview senior members of employers of actuaries.

##### ***IAC (International Affairs Council)***

There was no meeting of the IAC since the last ASB meeting.

An update will be provided at the November ASB meeting.

##### ***Research Council***

The Research Council has held one meeting since the last ASB meeting. The following was noted:

- The SOA liaison to the Research Council is being pulled since the SOA is changing the way they manage research (to be managed at the staff level).
- A paper is being written by an actuary in academia on condo reserve funds. There is no standards application (at least yet).
- The volume of translation is creating a bit of an issue. Attempts will be made to space out products more evenly throughout the year.

#### **119.17 Updates from various practice committees**

***Committee on the Appointed/Valuation Actuary:*** An update will be provided at the November ASB meeting.

##### ***Committee on Life Insurance Financial Reporting:***

Discount rate educational note: comments are being summarized and the note is being updated. The note is expected to be published by the end of 2021/early 2022.

Fair value: The note was approved for distribution and will be published soon.

Report on disclosures: CLIFR aims to publish the document by the end of 2021/early in 2022.

Discount rate applications: The document is expected to be published early in 2022.

Recoverability of acquisition expenses (joint effort with the Property and Casualty Insurance Financial Reporting Committee (PCFRC): The document is being shared with relevant committees for comments. It is expected to be published in 2022.

Mortality improvement: CLIFR is keeping abreast of developments.

Review/finalize all IFRS 17 notes.

***Committee on Risk Management and Capital Requirements (CRMCR):*** The Committee is reviewing the note on financial condition testing.

It prepared comments on behalf of the CIA to OSFI on QIS3, and another on LICAT/MCT.

The committee is reviewing IFRS 17 notes prepared by other committees.

***Committee on Property and Casualty Insurance Financial Reporting (PCFRC):*** The Committee is working on projects jointly with CLIFR.

In addition, it is working on an educational note for non IFRS 17 valuation work.

PCFRC is very busy developing IFRS 17 guidance on discount rate, risk adjustment, fair value, liability for remaining coverage, recoverability of acquisition expenses, and disclosures.

It is also reviewing guidance developed by other committees.

**Committee on Property and Casualty Insurance Pricing:** There was no meeting since the last ASB meeting.

**Committee on Workers' Compensation:** No update was provided.

**Committee on Pension Plan Financial Reporting:** There was no meeting since the last ASB meeting.

The committee is at work on its recommendations for annuity guidance (Q3).

**Task Force on Gender Identity:** The group met for the first time last week. Nothing further to report at this time.

#### **119.18 Webcasts**

No new webcasts are being planned.

#### **119.19 Report on Recent/Upcoming Meetings**

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

##### **Actuarial Guidance Council (September 14, 2021)**

- A summary was provided in the meeting material.
- IAN 100 and the draft educational note on fair value were both approved and will be published soon.
- AGC Alerts: When a new note or standard is published, it will be highlighted, and a reminder distributed the following week. Unfortunately, there will no table of contents.

##### **CIA Board meeting on September 14, 2021**

- The AGC made a presentation to the Board. Priorities were reviewed.
- The potential transfer of accountability for the AGC from the Board to the ASB was discussed (aim: more effective use of resources). It will be discussed further.

#### **119.20 Future Meetings**

The ASB confirmed its intended upcoming meeting schedule as follows:

**November 24, 2021** – 10:00 a.m. – 4:00 p.m.

ASB members will be canvassed soon for meeting dates in 2022.

In-person meetings will perhaps resume next year.

#### **119.21 Other Business**

There being no further business, the meeting concluded at 16:10. The next regularly scheduled meeting of the ASB will take place on November 24, 2021 via videoconference.