

August 16, 2019

Andrew Chamberlain
Chair, Actuarial Standards Committee (ASC)
International Actuarial Association
1203-99 Metcalfe, Ottawa ON K1P 6L7
ISAP4.comments@actuaries.org

Re: Comments on Proposed Final Draft of International Standard of Actuarial Practice 4 on IFRS 17 Insurance Contracts (ISAP 4)

Dear Mr. Chamberlain,

The Canadian Institute of Actuaries (CIA) is the national, bilingual organization and voice of the actuarial profession in Canada. Our members are dedicated to providing actuarial services and advice of the highest quality. The Institute holds the duty of the profession to the public above the needs of the profession and its members. The Actuarial Standards Board (ASB) is responsible for adopting, revising, and maintaining actuarial standards of practice for CIA members practicing in Canada.

The CIA and the ASB have reviewed the proposed final draft of ISAP4. We are generally supportive of the proposed final draft and commend the ASC for developing this standard.

We would like to make one important comment for your consideration, which we believe needs to be addressed in the final edit:

- 2.6.13: The section on risk adjustment directs the actuary to reflect diversification (2.6.13(b)(i)) and select a method that “allows for diversification” (2.6.13(c)(iii)). IFRS 17 **only** requires that diversification be reflected **if** the entity considers diversification in the compensation it requires for taking risk. However, an actuary would consider diversification when advising on the confidence level of the risk adjustment.

In addition, we would like to make the following minor comments for your consideration:

- 2.4: We continue to think that bullet (e) should be removed and bullet (b) should be “Combination and separation of insurance contracts” to avoid confusion.
- 2.7.1(a) – In assessing eligibility for PAA, IFRS 17 doesn’t require the expected patterns of revenue to be similar (only that the measurement at each future reporting date be similar). The two will often go together, but in our opinion, the IAA shouldn’t be adding restrictions.

- 2.6.6(b) – Bullet points (i) and (ii) regarding reinsurer non-performance risk appear to be redundant. We would recommend combining these two bullets into a single bullet.
- Glossary – It is not clear to us whether there is a difference between “Measurement Date” and “Valuation Date”. They appear to have the same meaning.

The CIA appreciates the opportunity to provide feedback on these issues, and we would welcome further discussion with you throughout this process.

If you have any questions, please contact [Chris Fievoli](#), CIA Staff Actuary, Communications and Public Affairs, at 613-656-1927.

Sincerely,

A handwritten signature in black ink that reads "Marc Tardif". The signature is written in a cursive style with a prominent horizontal stroke at the top.

Marc Tardif, FCIA
President, Canadian Institute of Actuaries