



Deadline: 14 March 2014

Please use this template to comment on the [Exposure Draft of ISAP 3 Actuarial Practice under IAS 19 Employee Benefits](#), and the [ISAP 3 Glossary \(ED\) markedup](#).

	Identification and instructions	
Name of Individual:	Please indicate if your comments are personal, or represent your organization:	Organization
Name of organization		Canadian Life and Health Insurance Association Inc. ("CLHIA")
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	
Instructions for filling in and sending the template	<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ Do <b>not</b> write in the yellow shaded cells</li> <li>⇒ Write in the white cells</li> <li>⇒ When commenting on a specific paragraph: <ul style="list-style-type: none"> <li>○ Please use a separate row for each paragraph, sub paragraph, or bullet.</li> <li>○ Please include the full reference in the first column such as "Introduction 3<sup>rd</sup> paragraph 2<sup>nd</sup> bullet" or "2.6.1.b.ii"</li> <li>○ Please insert/append extra rows as needed.</li> </ul> </li> </ul> <p><b>Please send the completed template, renamed with the organization's or individual's name, attached in <u>Word Format</u>, to</b></p> <p><a href="mailto:ISAP3.ISAP.comments@actuaries.org">ISAP3.ISAP.comments@actuaries.org</a>.</p>	



	Specific Questions asked by the ASC	Response
Q1.	Is the guidance clear and unambiguous? If not, how should it be changed?	
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	<p>We have a concern.</p> <p>Section 2.6.3.b.ii “Curve-fitting, Interpolation, and Extrapolation” provides guidance on constructing the yield curve for the purpose of discounting liability cash flows. Though ISAP 3 applies to the valuation of employee benefits, this topic is critical to the valuation of life insurance contracts. Therefore, the guidance on this topic should align with the valuation of life insurance contracts as well as for the valuation of employee benefits.</p> <p>There is one sentence that is of particular concern, viz.,</p> <p><i>“For example, at durations beyond the longest dated market bond, the actuary may use extrapolation techniques built off spot rates or forward rates, or price consistent approaches.”</i></p> <p>This sentence could be interpreted to imply that the <b>only</b> appropriate approaches to setting discount rates beyond the longest dated market bond involve extrapolating the current yield curve.</p>



		<p>However, discussions with IASB members and staff in October 2013 confirmed that it was not their intention to limit the choice of discount rates for the valuation of insurance contracts in this way. Therefore, we request that section 2.6.3.b.ii be revised to avoid wording that implies the yield curve must be extrapolated from the current yield curve.</p> <p>Our suggestion is:</p> <p><i>“For example, at durations beyond the longest dated market bond, the actuary may use extrapolation or extension techniques built off spot rates or forward rates, price consistent approaches, or other approaches using available information in the circumstances.”</i></p> <p>This change avoids limiting future guidance on IFRS 4 without compromising the proposed guidance on IAS 19.</p>
Q3.	Is it clear how the guidance in the proposed ISAP relates to the guidance in ISAP 1? If not, how should it be changed?	
Q4.	Is the guidance at the right level of detail? If not, what text should be omitted because it is too detailed? In what areas do actuaries need more detailed guidance?	
Q5.	The proposed ISAP does not currently provide specific guidance to actuaries advising the	



	reporting entity on the information that should be included in the IFRS report to meet IAS 19's disclosure objectives (the appendix contains educational material on these disclosures). Should the ISAP be expanded to provide guidance in this area? If so, what should the guidance be?	
Q6.	Are there other matters that should be included in this standard on actuarial work in connection with IAS 19 Employee Benefits? Are there some included here that should not be?	

	<b>General Comments on the Exposure Draft</b>	
	Thank you for the opportunity to comment on the International Actuarial Association's Exposure Draft of Proposed International Standard of Actuarial Practice 3, Actuarial Practice under IAS19 Employee Benefits.	

