



OSFI¹ Comments

Draft Statement of Intent to issue an International Standard of Actuarial Practice – Actuarial Services in relation to IFRS X Insurance Contracts (ISAP [4])

¹ Office of the Superintendent of Financial Institutions – Canadian federal regulator of banks and insurers

1. Do you agree an ISAP is needed on actuarial services in relation to IFRS X?

Yes

No

2. Are any of the proposed topics inappropriate for inclusion in ISAP [4]?

Yes

No

If yes, please explain why the particular topic should not be included in ISAP [4].

3. What other topics should be included in ISAP [4]?

Please cover why you wish guidance in this area and if appropriate provide an example to illustrate the issue. Please note that the ISAP is not intended to address unique, country-specific issues. Member associations and local actuarial standard setting organizations could address such issues by adding guidance to the model ISAP before adoption.



The topics listed in the SOI are quite technical in nature yet the audiences for the actuary's work will be seeking assurance of professionalism in the conduct of that work as well. The ISAP currently makes little reference to the professional practices used by actuaries in the conduct of this type of work. Without reference to such professional practices, ISAP 4 may fail to "increase public confidence in actuaries' services in relation to IFRS X".

Four examples of this professionalism are a) actuarial oversight, b) external actuarial peer review c) communication between the actuary and the auditor and d) expression of actuarial opinion.

- a) Actuarial oversight – Actuarial work in the area of financial reporting (as with many other types of actuarial work) uses the concept of actuarial oversight (i.e. separation of the producers of work from those charged with its oversight). This concept is so fundamental that insurers are expected to demonstrate actuarial oversight via standards of the IAIS.
- b) External actuarial peer review – Such peer review is used by actuaries to ensure the quality of their work and comparability with practices across other firms. It is used in the area of valuation and financial reporting. Some jurisdictions (e.g. Canada) require such review to be conducted for the actuarial work that is part of Canadian regulatory reporting.
- c) Communication – In Canada the protocols for communication between the signing actuary and the external auditor during the preparation of the financial statements are well defined and each profession has developed relevant standards which mirror each other.
- d) Opinion – The provision of a personal opinion in standard format by the actuary responsible for the work completed in accordance with standards of practice consistent with ISAP 4 demonstrates the professionalism of the work completed. While such an opinion is not required by the IASB, OSFI believes such an opinion should be developed by the IAA for the responsible actuary.

The best placement for this type of material within ISAP 4 (a through d) should be near the beginning of the ISAP to indicate the importance placed on this aspect of the standard above the technical content that follows.

Alternatively, if work within ISAP 4 on these matters would unduly detract from the technical discussions, the IAA may wish to consider an additional, separate ISAP that would focus on those actuaries providing opinions in relationship with ISAP 4 (and other similar IASP's).

4. Please use this space for any additional comments not covered above.

OSFI has three overriding messages for the IAA with respect to this SOI:



Comments on draft Statement of Intent to Issue ISAP [4]

- OSFI strongly supports and encourages the IAA to proceed quickly to complete this IASP. As evidence of its support OSFI pledges some of its actuarial resources to assist the IAA in the drafting process.
- Auditors play a key role in ensuring financial statements are of high quality and usefulness for insurance industry stakeholders, including regulators such as OSFI. OSFI has found that an active dialogue between the actuarial profession and the auditing profession has been very helpful in Canada over many years in informing the work of auditors with respect to insurers. We commend this working relationship to the auditing and actuarial professions globally.
- In its role as a prudential regulator, OSFI hopes to rely on IFRS statements (as it has relied on CGAAP in the past) and believes the actuarial profession and its standards of practice are important to producing high quality and useful insurer financials which provide greater comparability across the industry. We are supportive of the IAA's development of actuarial standards in this area and we will continue to encourage the IASB to be supportive as well.

Further, OSFI has two additional comments/observations about the challenge of drafting this SOI:

- Convergence of practice - The IAA goal to “facilitate widely accepted convergence of principle-based actuarial standards” (page 3 of SOI) is to be applauded but this may be a challenge to achieve if diverse member input results in the use of the lowest common denominator in the standard. If this convergence does not occur in a meaningful way then the other laudable bulleted expectations (also on page 3 of SOI) will be at risk. OSFI is very supportive of the IAA's efforts to achieve meaningful convergence but notes that such convergence must not come at the expense of ignoring important differences in insurance markets globally, including the issues arising from the sale of insurance products with long term guarantees.

A specific example of this challenge in achieving convergence of actuarial standards may be seen in the topic of “choice of assumptions and methods for current estimates” (but it may also apply to many of the other topics of the ISAP). At what level will the ISAP address this topic versus an IAN? What will be the key issue in this topic which defines the break between ISAP and IAN? If the ISAP serves no role in narrowing the possible range of practice then the goals of the IAA will not be met and the profession will not have been developed or enhanced due to the introduction of this ISAP. It will be important in the development of the ISAP that at an early stage, thought be given to the key concepts that must reside within the ISAP rather any IAN.

The scope of the ISAP versus an IAN may also be clarified by thinking about the location of practice/product specific guidance – should ISAP 4 contain anything that is practice/product specific? If not, should it be in separate ISAPs or IANs?

- Regulatory interface - One final comment is that the topic identified as “knowledge of how the regulatory environment interfaces with IFRS X” was not intuitively obvious to our organization (OSFI is the federal regulator of insurers in Canada) despite our reliance on a single set of accounts for public and regulatory reporting.



5. Please provide the name of the person completing the consultation response, association and email address for further clarifications (if needed).

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Type of response	<input type="checkbox"/> Personal <input checked="" type="checkbox"/> Organization

IMPORTANT: Please check if the relevant check boxes are ticked appropriately and save the file renamed with the organization's or individual's name (e.g., SOI_CommentTemplate_[NAME].Doc). E-mail the file as an attachment to SOI.ISAP4.comments@actuaries.org.