

## Memorandum

**To:** All Fellows, Affiliates, Associates and Correspondents of the Canadian Institute of Actuaries and Other Interested Parties

**From:** Charles C. McLeod, Chairperson  
Actuarial Standards Board  
Jacques Tremblay, Chairperson  
Designated Group

**Date:** December 21, 2009

**Subject:** **Notice of Intent regarding changes to the Standards of Practice – Practice-Specific Standards for Insurers – Section 2500 Dynamic Capital Adequacy Testing**

**Comment Deadline:** **February 28, 2010**

*Document 209136*

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### **BACKGROUND AND DESIRED OUTCOMES**

Earlier this month, the Office of the Superintendent of Financial Institutions (OSFI) published Guideline E-18 (Stress Testing), available at the following link: [http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/guidelines/sound/guidelines/e18\\_e.pdf](http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/guidelines/sound/guidelines/e18_e.pdf). This sets out OSFI's expectations with respect to stress testing. One example of stress testing for insurers is Dynamic Capital Adequacy Testing (DCAT). The Actuarial Standards Board (ASB) proposes to revise Section 2500 Dynamic Capital Adequacy Testing of the Standards of Practice to ensure consistency with Guideline E-18, as appropriate.

### **SUMMARY OF PROPOSED CHANGES**

Possible changes to Section 2500 Dynamic Capital Adequacy Testing that will be considered by the ASB are:

1. The definition of “Satisfactory Financial Condition” (SFC),
2. The Appointed Actuary’s (AA) opinion,
3. How reverse stress testing would be performed,
4. With respect to Frequency and Timing: Remove the reference to “annual” reporting and address up to date data.

### **TIMELINE**

The ASB hopes to publish an exposure draft by early spring of 2010 and approve final Standards of Practice by June 2010.

## **YOUR FEEDBACK**

The ASB is soliciting feedback on this notice of intent from members of the CIA and from other stakeholders. Comments on the proposed changes are invited **by February 28, 2010**. Please send your comments, preferably in an electronic format, to Jacques Tremblay at [jacques.tremblay@oliverwyman.com](mailto:jacques.tremblay@oliverwyman.com), with a copy to Chris Fievoli at [Chris.Fievoli@actuaries.ca](mailto:Chris.Fievoli@actuaries.ca). The only forum planned for submitting comments regarding this notice of intent is the receipt of written comments at the above e-mail addresses.

Feedback is particularly invited on the following issue:

1. Do you agree that the possible changes described above would be more appropriate as Standards of Practice instead of guidance in educational notes, research papers and other reports?
2. Are there any other changes with respect to section 2500 that this notice of intent does not address and should be made?

The Actuarial Standards Board has created a Designated Group that will be responsible for the development of this Standard of Practice. The Designated Group will be chaired by Jacques Tremblay.

CCM, JT