



# Annual Report 2011–2012

Seeing Beyond Risk

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The Canadian Institute of Actuaries (CIA) is the national organization of the actuarial profession in Canada. We are a self-regulating, member-driven organization, and our code of conduct demands the highest standards of personal integrity from our members. We are dedicated to serving the public through the provision of actuarial services and advice of the highest quality.

### Our First Guiding Principle

In carrying on its activities and programs, the Institute holds the duty of the profession to the public above the needs of the profession and its members.

### What We Do

Actuaries employ their specialized knowledge of the mathematics of finance, statistics and risk theory to problems faced by pension plans, financial institutions, regulators, risk managers, and policy makers.

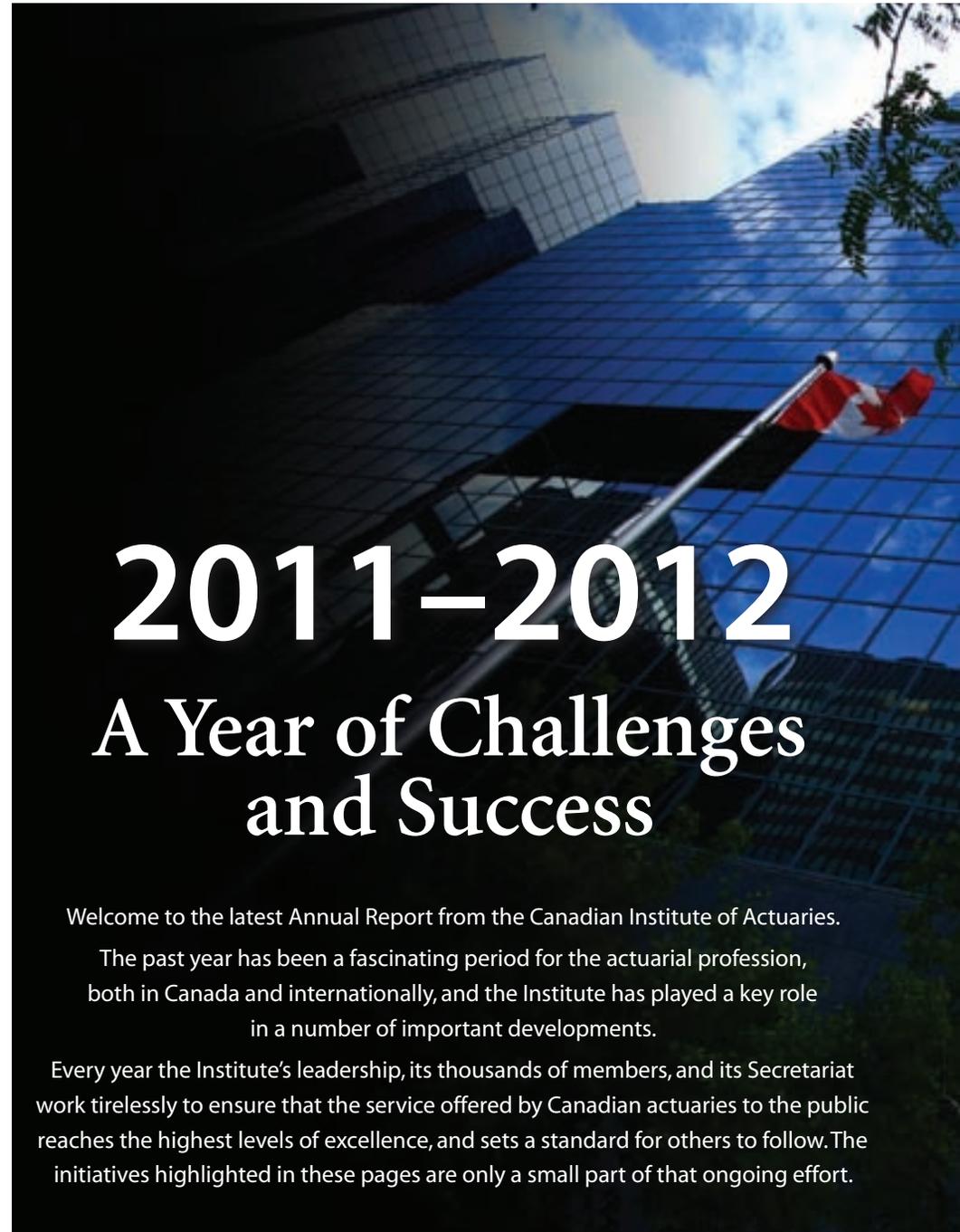
Fellowship in the CIA (FCIA) is the qualification required to perform specific duties prescribed by provincial and federal legislation to safeguard the financial interests of Canadians.

### Where We Practice

Most CIA Fellows are employed by consulting firms and life insurance companies, while the remainder work in property and casualty insurance, reinsurance, universities, government, and industry. Actuaries are also active in bringing their skills to the emerging field of enterprise risk management (ERM).

### Distribution of Active FCIA's by Type of Employer

Consulting Firms	44%
Life Insurance Companies	31%
Property and Casualty Insurance Companies	8%
Reinsurance Companies	5%
Government	4%
Other (academic, ERM, etc.)	8%



# 2011-2012

## A Year of Challenges and Success

Welcome to the latest Annual Report from the Canadian Institute of Actuaries.

The past year has been a fascinating period for the actuarial profession, both in Canada and internationally, and the Institute has played a key role in a number of important developments.

Every year the Institute's leadership, its thousands of members, and its Secretariat work tirelessly to ensure that the service offered by Canadian actuaries to the public reaches the highest levels of excellence, and sets a standard for others to follow. The initiatives highlighted in these pages are only a small part of that ongoing effort.

# CIA Board of Directors 2011–2012

Constitution Square,  
Ottawa, the home  
of the CIA.



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# An Overview of Key Events

Actuaries are ready for whatever challenges the future might bring.



Attendees at last year's CIA Annual Meeting.

As the national organization representing Canada's actuaries, the CIA is at the forefront of discussions concerning numerous crucial issues affecting Canadians.

From pensions to life insurance, and health care to investments, actuaries play an essential role in organizations of many kinds and many sizes.

Besides their day-to-day work at financial companies, governments, and other institutions, in the past 12 months members of the CIA have also contributed to public debate on such topics as:

- **Financial security.** The CIA's submissions to governments and regulators have highlighted the importance of, for example, improvements to Employment Insurance funding in order to stimulate more financial activity. Senior members of the Institute have made presentations to key politicians on a range of high-profile subjects.
- **Pooled registered pension plans (PRPPs).** The CIA submitted detailed suggestions on how PRPPs could be most successful, and how they could encourage more Canadians to save for retirement in a cost-effective manner.

- **Medicare.** The CIA told a House of Commons committee of the important part actuaries could play in improving the healthcare system. They have the skills and expertise to analyze the funding pressures that Medicare faces, the changing demographics of Canada's aging population, and the impact of new medical technologies on the cost and provision of quality health services.

The Institute has also focused on developments affecting the profession and how it can best serve the public.

For example, it has:

- Completed a **comprehensive membership survey**, the first in six years, which led to a number of recommendations on how it can enhance the profession;
- Continued to produce **guidance** (such as educational notes and research papers) to help our members follow best practices;
- Developed the **University Accreditation Program and Associate of the CIA (ACIA) credential**; and
- Become an award signatory for the **Certified Enterprise Risk Analyst (CERA) designation**.

Other initiatives in the past year have involved strengthening ties with outside organizations, such as partnering with Natcan Investment Management to develop an accounting discount curve, and raising the profile of Canada's actuaries by attending career conferences in Québec and Ontario.

Meanwhile, the CIA's Secretariat and committees have organized meetings, seminars, and webcasts all designed to ensure that our members remain at the cutting edge of actuarial practice, and that their expertise is put to the best possible use.



The latest actuaries to become Fellows of the CIA, or FCIA's, gather at the Annual Meeting.

The economic downturn has put many individuals and companies in difficult situations, and financial organizations have had to react accordingly, leading to fresh challenges for actuaries in Canada and elsewhere. Globally, the profession is constantly developing new ways to improve actuaries' service to their clients, and the CIA is no exception.

Actuaries are experts at helping people plan ahead by minimizing risk. As their work over the past year has shown, and as you will discover in the pages to come, the CIA's members are ready for whatever challenges the future might bring.



# President's Report



by **JAMES CHRISTIE**  
President

It has been a year of change for the Institute.

Most of this change happened relatively quietly but nevertheless many of the new developments will have a significant impact on the Institute and its members in the coming years.

The Board of Directors has spent considerable energy to articulate a clear and succinct vision of what

we want the Institute's future to be. At the June 2012 Board meeting we expect to put the finishing touches on that vision. Even before it is finalized there is sufficient consensus to allow the Institute to better align and coordinate our extensive and diverse volunteer efforts.

Perhaps the most significant change was the increased emphasis on attracting members and actuarial candidates much earlier in their careers:

- A University Accreditation Program gets underway in September and will provide an exciting new alternative approach (see page 9).
- The new ACIA designation will allow actuarial individuals to become members of the Institute much sooner in their careers.
- The chairs of all committees and task forces have been asked to intensify their efforts to recruit younger members where and when appropriate.
- We have created a new electronic forum, the CIA Network, to allow those interested in pursuing actuarial careers to establish a formal link to the Institute before they qualify to be members.
- The CIA is now on Twitter.

In 2011, the Institute conducted its first full membership survey since 2005. The information gathered was valuable in assessing both member satisfaction and identifying where additional efforts are most needed. We now intend to conduct full member surveys every five years. For more immediate and regular feedback we will be establishing a Member Listening Group.

To better understand what actuarial employers as well as members want from the Institute, the Past President, President-elect, Executive Director, and I have undertaken a series of interviews with a cross-section of Canadian-based actuarial employers.

As part of its ongoing efforts to expand Canadian actuaries' roles in the enterprise risk management (ERM) space, the Institute was granted the authority in 2011 to award the CERA designation. We also co-sponsored the ERM symposium in Washington, DC, and established a Risk Management Committee to apply ERM to the Institute.

In keeping with its objective to increase the influence of actuaries in setting public policy, the Institute made over 25 submissions to legislators and regulators.

Finally, in 2015 the Institute will celebrate its 50th anniversary. We have started planning now to maximize the resulting exposure for the actuarial profession in Canada.



## My Goals for 2012-2013

- Focus on meeting the needs of younger members of the profession and increasing their engagement with the Canadian Institute of Actuaries.
- Ensuring the CIA is organized and prepared to meet the challenges of the profession's increasing internationalization.
- Building on the momentum of the implementation of the ACIA designation.
- Maintaining a strong outward focus for the CIA and ensuring we engage effectively with all our key external stakeholders.
- Setting the CIA on the path to taking more active responsibility for the education of actuaries in Canada, building on our existing education partner relationships.



by **SIMON CURTIS**  
President-Elect

# Executive Director's Report



by MICHEL SIMARD  
Executive Director

The partnership between the CIA's Secretariat and its volunteers once again stepped to the plate to sometimes knock the ball over the fence and most of the time hit singles, doubles, or triples, seldom striking out or hitting foul balls.

One interesting aspect of this relationship is its organic nature: other than elements of the role of the

Executive Director, nowhere is it described in the Act to Incorporate Canadian Institute of Actuaries or in the Bylaws. Over the past 47 years, the function and responsibilities of the Secretariat have grown and matured, in support of the direction of the Board and its volunteer councils, committees, and task forces.

Here are just a few examples of the cooperative ventures undertaken to fulfill the Institute's many mandates:

- In the past year, your Secretariat has faced a number of challenges. First off was the relocation to our new premises. The move itself and all the preparations were done during the lead-up to the Annual Meeting, the Practice Education Course, and the annual dues billing process. In spite of this, all these projects and the move went off without a hitch thanks to the staff's planning, cooperation, and hard work.
- The launch of the University Accreditation Program (UAP) and ACIA designation required a great deal of

effort from the various universities, the Secretariat staff, and many volunteers. And the work is not yet done.

- On the continuing education front, our joint efforts produced successful events such as the Seminar for the Appointed Actuary, the Investment Seminar, Pension Seminar, and engaging webcasts.
- Over 25 submissions — cooperative efforts between the Secretariat staff and highly-focused volunteers — were developed.
- Each year, the Institute advertises in English and French business magazines. This year the advertising moved online for the first time.
- The Secretariat also provided professional and administrative support to the Actuarial Standards Board, Actuarial Standards Overview Council,

Committee on Professional Conduct, and Actuarial Foundation of Canada.

- During the year, the Secretariat implemented a new staff compensation structure and an accompanying performance management system.

These advances, and many more, would not have been possible without the passion of a great many individuals. But the economic outlook remains sombre, while the demand to offer more and improved services remains great. As the challenges multiply and the purse strings tighten, I would like to remind you how hard your Secretariat works each day to ensure our organization's success, just as we remind ourselves every day that we could not succeed without you, the members and volunteers.



Constitution Square.

## The Secretariat

- The Secretariat is the administrative hub of the CIA. Based in Ottawa, it consists of a dedicated group of 18 staff members divided into four departments. Also serving under the executive director are an executive assistant and our resident actuary, Chris Fievoli, FCIA, FSA. Together, this team publishes documents, assists members, translates, supports volunteers, maintains our website, and more.
- The past 12 months have witnessed the Secretariat changing offices, from Metcalfe Street to the landmark complex at Constitution Square on Albert Street. The move was prompted by the CIA's lease coming to an end and the need for more modern, prestigious offices that would better reflect the Institute's growing prominence and status in the Canadian and international business world.

# Practice Council



by PHIL RIVARD  
Chair, PC

The past 12 months have been another busy period for the Practice Council. Over the year the following guidance was published:

## Educational Notes:

- Financial Risks Inherent in Multi-Employer Pension Plans and Target Benefit Pension Plans;
- Accounting Discount Rate Assumption for Pension and Post-employment Benefit Plans;
- Guidance for the 2011 Valuation of Insurance Contract Liabilities and DCAT for Property and Casualty Insurers and Life Insurers;
- Guidance on Fairness Opinions Required Under the Insurance Companies Act Pursuant to Bill C-57 (2005);

- Valuation of Universal Life Insurance Contract Liabilities; and
- Guidance for Assumptions for Hypothetical Wind-Up and Solvency Valuations;

## Research Papers:

- Funding of Public Personal Injury Compensation Plans;
- A Recommendation on Critical Illness Capital Requirements; and
- Calibration of Equity Returns for Segregated Fund Liabilities.

I particularly want to point out a few strategic initiatives that highlight the important role the CIA fulfils in protecting and advancing the interests of the public.

The Committee on Life Insurance Financial Reporting completed a significant amount of research and modelling in the development of updated criteria for calibrating equity returns for segregated fund liabilities. This committee will soon be publishing guidance on the



Just some of the documents issued by the Practice Council in 2011-2012.

hedging of segregated fund liabilities as well as new guidance on interest rate calibration criteria.

The Bill C-57 Task Force published guidance for the preparation of actuarial opinions required by Bill C-57.

The Committee on Workers' Compensation is developing guidance for future occupational disease claims in addition to guidance on best estimate assumptions for inflation and investment return assumptions, an area where significant differences in approach exist between practices.

On the pension side, guidance was developed in the derivation of a discount rate yield curve suitable for the accounting of pension and other post-retirement benefits. This task force then selected an outside party with the resources and skills necessary to publish monthly yield curves accessible to the public and our members at no cost. Another task force is also researching the area of margins to be included for going concern valuations of defined benefit pension plans.

## Search for Solutions

The Practice Council has a number of issues to consider concerning best estimate economic assumptions:

- Historically, the various practice areas have adopted different approaches in developing best estimate economic assumptions. Some of the differences can be attributed to requirements embedded within the Standards of Practice, while others cannot.
- Our credibility as a profession is subject to challenge if we take differing views on something as simple as an inflation rate assumption.
- The Practice Council will be pursuing common approaches across the practice areas, but it will not be an easy task.



# Eligibility and Education Council



by **DAVID DICKSON**  
Chair, EEC

It has been another exciting year for the Eligibility and Education Council (EEC), with good progress to highlight.

The University Accreditation Program (UAP), developed by Rob Stapleford and the Accreditation Committee, has launched. Ten Canadian universities are now accredited for courses beginning in September 2012. Students

will be able to obtain exam credits from the CIA for exams FM/2, MFE/3F, MLC/3L, and C/4, by completing accredited courses at or above the minimum grade for exemption as established by the Accreditation Committee.

Also, as a result of the work of the Accreditation Committee, the Committee on Academic Relations was formed with Mathieu Boudreault as chair. Its mandate is to increase academic involvement in the CIA and the profession, and to increase the profession's involvement in universities.

The initiative to increase value for Associates introduces a number of changes effective June 1, 2012. Under the leadership of Jason Vary, a task force conducted focus groups and surveys to discover why fewer Associates were joining the CIA, and to look for ways to encourage their participation. As a result, the CIA education requirements have been enhanced, and Associates will now be able to use the ACIA designation, and vote after they have been enrolled with the Institute for more than five years.

A new member committee and an actuarial networking group were also created thanks to this project. Going forward, the Institute will promote these enhanced benefits to actuarial candidates at earlier stages in their careers.



Other initiatives include:

- Development of continuing education plans for all practice areas under the Committee on Continuing Education, led by Angelita Graham;
- Planning for the fiftieth anniversary annual meeting in 2015 has also begun, with a task force chaired by Gary Walters;
- A pilot mentoring program, which will link experienced actuaries with newcomers to the profession, is being assessed; and
- An education strategy is being developed which will guide our education initiatives over the next 10 years.

Stay tuned for more on these and further initiatives in 2012–2013.

## The ACIA Designation

- In order to qualify for the Associate of the CIA designation (ACIA), candidates must meet the Institute's updated qualification requirements effective June 1, 2012, or be an Associate of the Society of Actuaries or Casualty Actuarial Society, or hold the Certified Enterprise Risk Analyst (CERA) qualification.
- The ACIA designation can be used by all qualified Associates of the CIA as of June 1, 2012.
- An Associate pays different dues than a Fellow of the CIA — a qualification that is recognized in a variety of government legislation and regulation — and has different voting rights.

## University Accreditation Program

- Ten Canadian universities have been granted accreditation for the academic year starting in September 2012.
- Exemptions for some early technical exams will be granted by the CIA for actuarial students at those universities, which have undergone a rigorous assessment process.
- The students must attain a minimum grade—established in conjunction with the CIA—to qualify for exemption.
- The exemptions count towards an actuarial student's achievement of the Associate of the CIA (ACIA) and Fellow of the CIA (FCIA) designations.

# Member Services Council



by **MARC-ANDRÉ MELANÇON**  
Chair, MSC

I would like to use my space here to highlight some of the accomplishments of the Member Services Council (MSC), the various committees reporting to it, and the new CIA members whose volunteer efforts have helped make these accomplishments possible.

In terms of research, which remains a key priority of the members and Board,

the P&C Research Subcommittee was created to better serve this segment of our community.

This subcommittee already has a research project in the works, dealing with water damage.

In 2011, the Group Long-Term Disability Termination Study was published, as was the study on individual annuitant mortality.

As for studies with a more public scope, we conducted a survey on retirement-related risks as perceived by the Canadian population.

Over the past year, the CIA responded to myriad requests for comments or information from associations and government agencies.

These responses were prepared by groups of volunteer members and experts in the particular fields in question. We believe in the importance of speaking out on public issues, where actuaries can make a tangible contribution through facts-based analysis. To realize just what is at stake, one needs to look no further than the recent

announcements on the plan to increase the age when OAS benefits are paid.

Another highlight of this past year was the Report on the 2011 Comprehensive Membership Survey, detailing the views of more than 1,100 Institute members and featuring 17 recommendations on how the CIA can do an even better job supporting its members and enhancing the profession. These highlights are just a few examples of the many positive contributions made by the MSC and its various committees in 2011–2012.

I invite you to provide us with your comments, suggestions and project ideas throughout the year.



This year has witnessed a high number of submissions by the CIA to Parliament and other organizations.

## Recognition for Volunteers

- Listening to CIA members and serving them as best we can, both from a professional and educational standpoint, remain the *raison d'être* of the MSC. As in the case with other councils and committees, we often forget to point out that all of these projects are carried out **for** our members and **by** our members. We would like to thank each and every one of you for volunteering your personal time to help advance your profession and share your talents and expertise with all of us. In more than one regard, this is a life experience you cannot find in an ordinary job. And indeed, it will stand you in good stead throughout your career.
- Here are some statistics on volunteering in the CIA:
- Over 449 dedicated volunteers spread out over 46 councils, committees and task forces; and
- In 2011, 156 members began serving a total of 218 new terms of service on committees and task forces (several members joined multiple groups).

# Financial Year in Review



by **MARTIN ROY**  
Secretary-Treasurer

In 2011–2012, the Canadian Institute of Actuaries (CIA) recorded a surplus of \$291,469 on total revenue of \$5 million, compared to a planned surplus of \$34,520, for a positive variance of \$256,949.

The major reasons for the difference from the planned amount are as follows:

- Attendance at CIA meetings and seminars was lower

than anticipated, resulting in decreased revenues. Lower attendance positively affected variable meeting expenses

such as attrition and food and beverage costs. The CIA also cancelled a non-member planned event. Overall meeting and seminar revenues were \$53,000 lower than budgeted, and overall meeting and seminar expenses \$106,000 lower.

- Overall revenues from webcasts were \$82,000 lower than expected, while overall expenses related to webcasts were \$36,000 lower than budgeted due to a reduction in the number that took place.
- Travel reimbursements came in \$47,000 under budget and meeting expenses were \$36,000 under budget.
- A review of the public and government relations expenses allowed us to save \$19,000.
- Publishing contributed to a positive variance of \$28,000.

- The expenses related to our numerous research projects were \$33,000 more than budgeted as many projects progressed nicely in the last quarter of the year.

The financial assets of the CIA are recorded at market value rather than amortized cost or purchase price. Any unrealized gain or loss on invested assets does not flow through the operating budget until such time as the gain or loss is actually realized. During 2011–2012, the Institute recorded a cumulative unrealized loss of \$108,462.

Overall, our unrestricted surplus is \$3,480,635, which represents 66 percent of planned revenues of \$5,250,000 contained in the 2012–2013 fiscal year budget approved by the Board of Directors. The overall budget for 2012–2013 is expected to generate a surplus of \$20,000.

## The CIA's Meeting and Seminars



- One of the key revenue streams for the CIA is its array of events. Every year thousands of actuaries attend our Annual Meeting plus specialist seminars and webcasts focusing on the work of appointed actuaries, investment and pension experts, and more. All feature presentations from leaders in their fields, and are key dates in any actuary's calendar.
- Thanks to the support of sponsors, the CIA is able to keep the registration fee for each event as low as possible while ensuring that memorable and experienced speakers are always present.
- For more details on our events, visit [actuaries.ca](http://actuaries.ca).



Toronto, the venue for this year's Annual Meeting.

# Financial Information



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## Report of the Independent Auditor on the Summary of Financial Information

### To the members of the Board of Directors

The accompanying summary of financial information, which comprise the summary balance sheet as at March 31, 2012 and the summary statement of revenues and expenses for the year then ended, are derived from the audited financial statements of the Canadian Institute of Actuaries for the year ended March 31, 2012. We expressed an unmodified audit opinion on those financial statements in our report dated May 29, 2012.

The summary financial information does not contain all the disclosures required by Canadian generally accepted accounting principles. Reading the summary financial information, therefore, is not a substitute for reading the audited financial statements of the Canadian Institute of Actuaries.

### Management's Responsibility for the Summary of Financial Information

Management is responsible for the preparation of the summary of financial information in accordance with the audited financial statements for the year ended March 31, 2012.

### Auditor's Responsibility

Our responsibility is to express an opinion on the summary of financial information based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

### Opinion

In our opinion, the summary of financial information of the Canadian Institute of Actuaries for the year ended March 31, 2012 is a fair summary of those financial statements, in accordance with the audited financial statements for the year ended March 31, 2012.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants  
Ottawa, Ontario  
May 29, 2012

The following summary of financial information is taken from the annual financial statements of the Canadian Institute of Actuaries (CIA), which have been audited by BDO Canada, LLP, Chartered Accountants, Licensed Public Accountants. The complete audited financial statements are available on the CIA's website.

### Summary of financial information for the fiscal year ending March 31, 2012, with 2011 comparisons

	2012 (\$000s)	2011 (\$000s)
<b>ASSETS</b>		
Current Assets		
Cash	\$ 977	\$ 609
Accounts receivable	5	30
Prepays and accrued interest	240	185
	1,222	824
Investments	3,781	3,990
Property and equipment	259	138
International Education Fund	10	10
	\$ 5,272	\$ 4,962
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 451	\$ 422
Deferred revenue	893	794
	1,344	1,216
Deferred Lease Inducements	-	2
<b>Net assets</b>		
Invested in property and equipment	260	136
Internally restricted - IEF	10	10
Internally restricted - Research	177	244
Unrestricted	3,481	3,354
	\$ 5,272	\$ 4,962
<b>REVENUE</b>		
Membership dues	\$ 3,656	\$ 3,255
Meetings and seminars	1,181	1,051
Investment income	187	197
Advertising and miscellaneous	53	79
	5,077	4,582
<b>EXPENSES</b>		
Salaries and benefits	\$ 1,605	1,438
Professional fees	951	866
Meetings and seminars	684	630
Travel reimbursements, meeting expenses and volunteer awards	401	405
Publishing, translation, supplies and services	342	327
Rent and operating expense	329	342
Other staffing, travel and miscellaneous	196	232
Research studies and surveys	278	237
	4,786	4,477
Excess (deficiency) of revenues over expenses	\$ 291	\$ 105

Seeing Beyond Risk

Canadian Institute of Actuaries  
Institut canadien des actuaires  
Voir au-delà du risque