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April 10, 2008

To the attention of
Carla-Marie Hait, Chief Accountant, Corporate Finance,
British Columbia Securities Commission

Fred Snell, Chief Accountant
Alberta Securities Commission

John Carchrae, Chief Accountant
Ontario Securities Commission

Marion Kirsh, Associate Chief Accountant
Ontario Securities Commission

Sylvie Anctil-Bavas, Chef comptable
Autorité des marchés financiers

Ladies and Gentlemen:

Re: CSA CONCEPT PAPER 52-402 - POSSIBLE CHANGES TO SECURITIES RULES RELATING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Thank you for the opportunity to comment on concept paper 52-402 relating to the possible changes in NI 52-107 regarding the changeover in Canada to the International Financial Reporting Standards (IFRS) which are issued by the International Accounting Standards Board (IASB).

In this letter I am providing my personal views. I am a Fellow of the Canadian Institute of Actuaries consulting primarily in the insurance sector both in Canada and internationally.

Please find below my responses to your questions where I have some comment.

Yours truly,

David Congram FIA, FCIA, ASA
Congram & Associates Inc.

Attachment A

Question 1
Do you agree we should allow a domestic issuer to adopt IFRS-IASB for a financial year beginning on or after January 1, 2009? If not, why?

In principle I agree.

Question 2
Are there additional factors, not discussed in this paper, to consider in deciding whether to allow a domestic issuer to adopt IFRS-IASB before 2011?

I identify three additional factors that I believe should be taken into account as they affect insurance companies:

1) Insurance contracts are being addressed under IFRS in a two Phase approach. Moving directly to Phase II would avoid an initial divergence of practice by insurers. International accounting practices for insurance contracts have historically been very diverse. The first IFRS to deal with insurance contracts was issued in 2005 and it made only limited improvements in IFRS on the expectation of a prompt completion of a second phase of IFRS development on insurance contracts by the IASB. The implementation of the second phase originally expected in 2011 looks as though it will now be delayed until 2013. This delay is now not a justification to delay early adoption.

2) Co-ordination of the changes by the securities and solvency regulators would be highly advantageous. Insurance companies are regulated entities in Canada. Canada is one of the very few countries that have a single set of financial statements for public reporting and solvency regulatory purposes. At this time the capital requirements of insurers are dependent on the financial reporting basis. It would be highly advantageous to maintain a single set of financial statements for financial reporting and solvency regulation with the introduction of IFRS-IASB. Maintaining a single set of financial statements is a sound reason for having a coordinated conversion date to ensure a smooth transition, promote stability in the financial sector and avoid imposing additional costs and potential confusion. This may require a delay in early adoption.

3) Actuaries have a reserved role in financial reporting under the Canadian Insurance Act and it is important that the Canadian actuarial standards are in place to ensure a smooth transition.

Question 6

Do you agree that we should require a domestic issuer to prepare its financial statements in accordance with IFRS-IASB and require an audit report on such annual financial statements to refer to IFRS-IASB? If not, why?

Nomenclature is important to avoid an unintended appearance that Canadian GAAP-IFRS differs from IFRS-IASB by some local variation. Therefore the IFRS-IASB nomenclature is preferable. I agree with the CSA staff given the relative size of Canada’s economy compared to international markets and global competitors that the substance and appearance of a level playing field for financial reporting with other international players should be encouraged. This will provide access by our issuers to a wider market of competitively priced capital and the opportunity to reduce their costs by not requiring reconciliation to other financial reporting bases. This appears to be best achieved by not having jurisdictional modifications as you identify. I would agree IFRS-IASB should achieve these objectives.

As identified by your discussion there exists wide spread reference to “Canadian GAAP” in a number of pieces of legislation. I would also recommend that the accounting regime that applies be clear and the change to IFRS-IASB language be well coordinated.

Question 7

Are there additional factors, not discussed in this paper, to consider in deciding whether securities rules should refer to IFRS-IASB rather than Canadian GAAP?

I identify the following implication of adopting IFRS-IASB that is not addressed in your paper and in my opinion should be taken into consideration as it affects insurance companies.

Current Canadian reporting for regulated insurance entities calls for an Actuary’s opinion to be included with the financial statements. The IFRS-IASB does not call for a separate opinion by any actuarial or other expert. When adopting IFRS-IASB the potential implication to users of financial statements of insurers could be that this additional assurance will not be available.

Given the recognized complexity of financial reporting for insurers the use of an Actuary's skills as an expert in establishing the liabilities for an insurance company has long been recognized in Canada. As I consider complying with international requirements is in the best interests of Canada as a whole I also believe that an alternative way of providing users the assurance of an expert should be considered. A comparable situation is the requirement related to Oil and Gas companies where the expression of an expert opinion on their reserves enhances the audit assurances that are provided by the Auditor.

In Canada insurance regulated entities will still be subject to the Insurance Companies Act that requires both an audit opinion and the opinion of an Actuary. The Actuary is expected to continue to opine on the statutory liabilities. I have expressed my view above on the benefits of retaining a single set of financials for reporting and solvency regulation. To the extent we retain a single set of financial statements for public reporting and solvency regulatory purposes then this actuarial opinion only becomes a matter of disclosure. To the extent that it is determined that financial statements should be different for public reporting and solvency regulatory purposes then reconciliation could be considered.

Respectfully submitted,
March 10, 2008
David Congram FIA, FCIA, ASA
Congram & Associates Inc.