

EXAM 6 – CANADA, FALL 2012

37. (1.5 points)

OSFI Guideline E-15, “Appointed Actuary: Legal Requirements, Qualifications and External Review” sets out OSFI’s expectations with respect to external review of the Appointed Actuary’s work and reports. Describe three functions the external reviewer is expected to perform for property and casualty insurers.

END OF EXAMINATION

that have material adverse effects on the financial condition of the company” and “require rectification” when discussing the meeting with the CEO.

Question 37

Answer key:

3 of the following:

- Ascertain that the work of the AA is within the range of accepted actuarial practice, as established by the CIA, and is consistent with any objectives or requirements established by OSFI in Regulations, Guidelines or the Memorandum to the AA.
- Review the adequacy of procedures, systems and the work of others relied on by the AA, to the extent that these are not reviewed by the external auditor.
- Discuss with the AA the appropriateness of each of the assumptions made and the methods employed in the valuation of actuarial policy liabilities and ascertain that the assumptions are at the appropriate point in the range of accepted actuarial practice.
- Determine whether the AA report accurately describes the assumptions and methodology employed by the AA.
- Review and discuss with the AA the methodology, assumptions and scenarios used for the future financial conditions reporting as required by the Superintendent, usually based on DCAT.

Actual candidate answer for full marks:

1. Ascertain that the Appointed Actuary’s work is consistent with the accepted actuarial practice and is in compliance with guidelines, regulations set by the Superintendent
2. Assess the adequacy of procedures systems need data that are relied by the Appointed actuary to the extent that are not reviewed by the external auditor. It includes checks on data: integrity and checks on the methodology used to validate the calculations.
3. Ascertain that the Appointed Actuary’s report accurately and adequately describe the methods and assumptions used by the Appointed Actuary is measuring policy liabilities.

Examiner’s report:

A majority of the candidates got at least partial credit on the items they have provided. The most common mistake was to not answer the question with enough details per item to collect full credit. Also, some candidates provided only two of the three required items.