

EXAM 6 – CANADA, FALL 2013

34. (2.5 points)

a. (1 point)

Briefly describe four qualifications, other than being an FCIA, that are expected of a new Appointed Actuary, as outlined by OSFI.

b. (1 point)

Describe the communication requirements for each of the following parties after the appointment of an actuary has been revoked:

i. (0.5 point)

The actuary whose appointment has been revoked.

ii. (0.25 point)

The company.

iii. (0.25 point)

The actuary who intends to become the new Appointed Actuary of the company.

c. (0.5 point)

Describe the conditions that a company's CFO must satisfy to become the Appointed Actuary.

Earthquake risk management policy. The insurer should identify its risk appetite and tolerance with respect to earthquake risk. It should describe and define those policies. Senior management will be responsible for overseeing the risk management policy

Data quality. Insurer should store data at the time of underwriting, invest in technology to improve data quality, remediate data sources that are inadequate and implement safe guards to prevent miscoding.

Earthquake model. It should understand modeling alternatives and how the selected model suits the portfolio, understand the limitations of the model used, ensure qualified staff run the model and that is continually updated.

Identify PML. Should estimate, and identify PML appropriately accounting for data quality, model uncertainty, and non-modelled losses

Capital available and contingency plans. Capital should be acquired from surplus, earthquake reserves, reinsurance arrangement, and complex financial instruments. Contingency plans should ensure smooth operation and claim settlement after an event.

Examiner's report:

Some candidates seemed to answer this question from the old OSFI Earthquake Guideline paper that was on last year's exam. In those cases, we gave partial marks.

Otherwise, there were quite a number of candidates who were able to identify the five key areas and explain them.

Question 34

Answer key:

a)

1. has appropriate Canadian practical experience, which is defined as (1) Work in Canada for at least three of the last six years, (2) of which at least one year was performing valuation of Canadian actuarial liabilities of an insurance company;

2. has experience with the CIA's Standards of Practice and relevant insurance legislation and regulation;

3. is up to date with respect to the CIA's Continuing Professional Development requirement;

4. (1) has not been the subject of an adverse finding by a CIA Disciplinary Tribunal. (2) Where there has been such a finding, the Superintendent may nevertheless conclude that the AA is a suitable person if the circumstances of the case and other information support such a conclusion.

b)

1) Grading Key: **1)** The actuary, whose appointment has been revoked shall submit to the directors of the company and the Superintendent a written statement of the circumstances and **2)** the reasons why, in the actuary's opinion, the actuary's appointment was revoked.

2) The company has to notify the Superintendent in writing of the revocation.

3) The actuary, who intends to consent to become the Appointed Actuary of the company, should request and receive from the company's most recent AA the written statement described in b) above. A

person may consent to be appointed as actuary of a company if no reply is received from the other actuary within fifteen days after a request is made.

c)

1) The audit committee of the company has provided a written statement to the Superintendent that it is satisfied that the duties of both positions in the company will be adequately performed and that the actuarial duties will be performed in an independent manner.

2) The appointment is authorized by the Superintendent.

Actual candidate answer for full marks:

a)

1.) relevant canadian experience – worked in Canada in 3 of last 6 years, one of which involved valuing liabilities for a CDN insurer.

2.) experience with CIA SOP and relevant legislature and regulations.

3.) not been the subject of adverse findings by the CIA disciplinary tribunal.

b)

i.) send written notice to directors and OSFI with circumstances and reasons in the actuary’s opinion why his/her appointment was revoked.

ii.) notify OSFI immediately and fill vacancy.

iii.) request written notice from previous actuary on circumstances and reasons and not accept appointment until such notice is received or 15 days have passed.

c)

audit committee must be satisfied that CFO can hold both jobs satisfactorily and independently. Request to be made to OSFI and approval is required from OSFI.

Examiner’s report:

This is a key question on the exam and candidates were expected to do very well on parts a) and b).

Many of the better candidates received close to full marks on the question however, the average candidate did not give enough detail to receive full marks.

Question 35

Answer key:

Scenario	Description
1	No action is required. The impact from the storm will likely not meet the actuary's materiality standard, as the company has little exposure to the Alberta market.
2	Reflect the missing claims in the work. Missing claims that occurred before the calculation date is a data defect and, as such, should be reflected in the work of the actuary.
3	Report the MIG ruling and reflect it in the work, if the company has material exposure in Ontario. The purpose of the AA's report is to report on the entity as it was at the calculation date. If the company writes a lot of business in Ontario, the ruling will make the company different as at calculation date, as many cases that were deemed to be within MIG will now be reopened.