

EXAM 6 – CANADA, SPRING 2014

31. (2 points)

Situation	Information available about the Actuary
A	FCIA A worked as a pricing actuary of ABC's subsidiary, but resigned two years ago.
B	FCIA B purchased five shares of ABC a week ago.
C	FCIA C invested in a mutual fund which owns shares of ABC.
D	FCIA D works in a consulting firm. His colleague was involved in the external audit of ABC this year.
E	FCIA E works in a consulting firm. His colleague is the Appointed Actuary of ABC.

a. (0.75 point)

Briefly describe OSFI's three objectives for requiring peer review of the work of the Appointed Actuary.

b. (1.25 points)

ABC Insurance Company (ABC) is a federally licensed insurer. For each of the above situations, state whether the respective Fellow of the Canadian Institute of Actuaries (FCIA) is eligible to serve as external reviewer of ABC's Appointed Actuary Report. Support your answer and cite any special conditions that apply.

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SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 31	
TOTAL POINT VALUE: 2	LEARNING OBJECTIVE: D1
SAMPLE ANSWERS	
Part a: 0.75 point(s)	
<p>Sample 1:</p> <ul style="list-style-type: none"> • <i>Assist OSFI in determining whether AA's work meets the standard (method, valuation, assumptions)</i> • <i>Provide opportunities for external education for AA and peer review (new learning opportunities of other view point)</i> • <i>Increase public confidence of the Actuarial profession and insurance industry</i> <p>Sample 2:</p> <ol style="list-style-type: none"> 1. <i>Narrow the range of practices of AA</i> 2. <i>Opportunities for external education for AA and peer reviewer</i> 3. <i>Increase public confidence</i> 	
Part b: 1.25 point(s)	
<p><i>FCIA A – no, because 3 years of separation required</i></p> <p><i>FCIA B – no, as he/she have a direct ownership in company</i></p> <p><i>FCIA C – yes, indirect interests through mutual fund allowed</i></p> <p><i>FCIA D – yes, provided the FCIA did not take any role during the external audit process (but OSFI doesn't prefer external review in the same company as external auditor)</i></p> <p><i>FCIA E – no, as he/she is in the same company as the AA</i></p>	
EXAMINER'S REPORT	
Part a	
<ul style="list-style-type: none"> • Most candidates could describe OSFI's objectives for peer review • 	
Part b	
<ul style="list-style-type: none"> • • Some candidates didn't distinguish direct vs. indirect financial interest, some were confused between external auditor and AA 	