

**EXAM 6 – CANADA, FALL 2014**

33. (2.25 points)

a. (1 point)

Briefly describe the four responsibilities of a Fellow of the Canadian Institute of Actuaries before accepting a position as an Appointed Actuary (AA).

b. (1.25 points)

One of the duties of the AA is to identify the types of transactions or conditions which may have a material adverse effect on the financial condition of the company. Briefly describe how the actuary should perform this duty and fully describe the process to be followed when a material adverse event is discovered.

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## EXAM 6C FALL 2014 SAMPLE ANSWERS AND EXAMINER'S REPORT

### QUESTION: 33

TOTAL POINT VALUE: 2.25

LEARNING OBJECTIVE(S): D1

### SAMPLE/ACCEPTED ANSWERS:

**Part a:** 1 point

- An actuary should accept and retain an appointment as AA only if the actuary has the necessary qualifications, experience, and knowledge
- An actuary should consult with the previous AA to determine whether there are any professional reasons not to accept the appointment.
- An actuary should ensure that the board of directors, or such other body that makes the appointment, understands the duties of the AA.
- An actuary should ensure that the board of directors, or such other body that makes the appointment, agrees to the requirements needed to fulfill the responsibilities of the AA, including but not limited to, timely access to all necessary and relevant management information, adequate resources and an appropriate venue for presenting the AA's annual report.

**Part b:** 1.25 points

- Establish a monitoring process so that the AA is aware of these transactions or conditions on a timely basis such as DCAT, Stress Testing.
- If, in the opinion of an AA, a transaction or condition causes a material adverse effect on the company's financial condition and requires rectification, the AA should expeditiously report the situation in writing to the chief executive officer and the chief financial officer, or their appointed designates, if actuary of a domestic company, and to the chief agent, if actuary of a foreign company, and provide a deadline for corrective action.
- This report shall also be sent to the board of directors.
- If suitable action is not taken by the date set, the AA should immediately notify the regulatory authority in writing. The notice should contain a summary of the concerns, a copy of the report, a description of events that have occurred since the writing of the report and any additional relevant information.

## EXAM 6C FALL 2014 SAMPLE ANSWERS AND EXAMINER'S REPORT

### EXAMINER'S REPORT:

#### General Commentary

##### Part a

- Candidates are expected to know the responsibilities of a FCIA before accepting a position as an AA.
- Many candidates listed the requirement to consult with the previous AA. Some candidates outlined the qualifications required to be an AA. Both would not receive full credit as the question is asking what should a FCIA do before accepting a position as an AA.
- Some candidates mixed this question with fully describing the qualifications of being an AA.

##### Part b

- Candidates are required to know the duties of the AA to identify a material adverse effect on the financial condition and actions required to respond such events.
- Most candidates described the key actions including reporting to CEO/CFO and the Board, providing a deadline in the report and reporting to OSFI if no action is taken by the deadline.
- Some candidates failed to mention establishing monitoring processes and/or including deadlines in the report.