

**EXAM 6 – CANADA, FALL 2014**

34. (1.5 points)

a. (0.75 point)

Briefly describe three objectives OSFI has in requiring peer review of the work of the Appointed Actuary.

b. (0.75 point)

Briefly describe whether the selection of each of the following reviewers is appropriate.

- i. An external actuary who worked at the company as the AA four years ago.
- ii. An actuary working in the company's external audit firm.
- iii. An external actuary who is a member of a consulting firm when a member of the same firm was involved in actuarial work related to the financial statements of the company.

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

### QUESTION: 34

TOTAL POINT VALUE: 1.5

LEARNING OBJECTIVE(S): D1

### SAMPLE/ACCEPTED ANSWERS:

**Part a:** 0.75 point

- Assist OSFI in its assessment of the insurer's safety and soundness: The AA has the responsibility for the valuation of policy liabilities in the financial statements and future financial condition reporting. Actuarial peer review is one tool OSFI uses in its assessment of the safety and soundness of insurers.
- Be of benefit to the AA by providing (i) a source of independent consultation advice, and (ii) an additional source of professional education: This aids in narrowing the range of practice by AA's and improving the quality of their work. OSFI recognizes that this is not the only source of professional development for the AA.
- Maintain and strengthen confidence in the work of the AA by the public, by insurance company management and directors and by supervisory authorities.

**Part b:** 0.75 point

- i) Yes: reviewer may not be an employee of the company or any affiliated companies, and may not have been employed by the company or served as AA of the company during the three years prior to the date of the work being reviewed;
- ii) Yes: A peer reviewer may be an actuary working in the company's external audit firm, but companies are encouraged to not use as a peer reviewer an actuarial specialist who is a member of the audit team for the company.
- iii) No: if he/she is involved in any actuarial work related to the financial statements or financial condition reporting for the company  
Or  
Yes: if he/she is not involved in any actuarial work related to the financial statements or financial condition reporting for the company

### EXAMINER'S REPORT:

#### General Commentary

**Part a**

- Candidates are expected to know the objectives OSFI has in requiring peer review of the AA's work.
- Most candidates received full marks.

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- Some candidates failed to provide the complete objectives from three different perspectives.

### Part b

- Candidates are expected to know the requirements to be a peer reviewer and able to apply those requirements in different scenarios.
- Most candidates got the first and third scenarios right.
- Some candidates mistakenly thought the guideline requires a peer reviewer outside of the audit firm.