

EXAM 6 – CANADA, SPRING 2015

32. (3.25 points)

A federally regulated property and casualty insurance company's Appointed Actuary (AA) suddenly chooses to retire near the end of the financial year. The Chief Financial Officer (CFO) who is a Fellow of the Canadian Institute of Actuaries (FCIA) immediately begins the year-end valuation process and starts preparing the Appointed Actuary's report.

a. (1 point)

Fully describe the requirements for the CFO to legally become the AA.

b. (0.5 point)

Discuss whether or not the regulator should accept the new appointment.

c. (1 point)

Identify four disclosures required by an AA in his report as a consequence of being newly appointed.

d. (0.75 point)

Other than resigning, identify three reasons for which a person could cease to hold the office of the actuary of a company.

EXAM 6C SPRING 2015 SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 32	
TOTAL POINT VALUE: 3.25	LEARNING OBJECTIVE: D for all parts
SAMPLE ANSWERS (BY PART, AS APPLICABLE)	
Part a: 1 point	
<p>Any four of the following received full credit:</p> <ul style="list-style-type: none"> • CFO : Before taking the role of AA, the CFO should of requested and received from the previous company actuary a written statement that includes the circumstances and reasons for the resignation. • Outgoing AA : must file reasons for resigning • Board : The audit committee of the company must provide the Superintendent with statement indicating 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. • Regulator : The company must get authorization by the Superintendent for the appointment or holding of the position of AA. • CFO must be an FCIA in good standing. • He needs to have 3 out of 6 yr of Canadian experience and at least 1 yr experience for valuation Canadian policy liability • He should be familiar with the SOP and legislation • He meets the CIA's continuing professional development requirement • Have not been the subject of an adverse finding by CIA Disciplinary Tribunal 	
Part b: 0.50 point	
<p>Any one of the following received full credit :</p> <ul style="list-style-type: none"> • Requires special approval by OSFI • Given that this was a sudden and unexpected event, the company can either expect that OSFI will accept the CFO taking on the role of the AA or will give the company additional time to submit their AA report so that they can find an acceptable replacement AA. • May approve because it is an extraordinary event. • May reject for various reasons e.g., conflict of interest • If reject, company may be late in filing its AAR and Annual return, • Yes, if the CFO meets the requirement to be an AA • No, if the CFO doesn't have all the requirement to be an AA like that he needs to have 3 out of 6 yr of Canadian experience and at least 1 yr experience for valuation Canadian policy liability or other requirements. • Yes, if the audit committee is satisfied that he can do both job independently. • No, since the CFO started immediately its functions without receiving the statement from the previous actuary (assuming) and did not complete its other duties before accepting the appointment. • Yes, since he is a FCIA and have all requirements. • No, because he began work before the audit committee send the letter to OSFI for approval. 	

EXAM 6C SPRING 2015 SAMPLE ANSWERS AND EXAMINER'S REPORT

Part c: 1 point
Any four of the following received full credit <ul style="list-style-type: none">• Date of appointment• Date of resignation of the previous actuary• Date on which OSFI was notified of the appointment• Confirmation and communication with the previous Actuary, as required by legislation• List of the Actuary's qualifications, keeping in mind, but not limited to, the CIA's Rules of professional conduct.
Part d: 0.75 point
<ul style="list-style-type: none">• The person ceases to be an actuary<ul style="list-style-type: none">○ No longer a FCIA○ Subject to disciplinary actions by CIA and loose his title• The person dies• The appointment of the person as actuary of the company is revoked by the directors of the company
EXAMINER'S REPORT (BY PART, AS APPLICABLE)
<ul style="list-style-type: none">• Candidates generally performed well on this question. Part c was the most challenging
Part a
Common errors included: <ul style="list-style-type: none">• Not mentioning the duties regarding the previous actuary.• Not providing enough details of the requirements.
Part b
<ul style="list-style-type: none">• Most candidates received full credit on this part.
Part c
<ul style="list-style-type: none">• A common error was not being precise enough regarding the disclosures• Another common error was that candidates stated the requirements that should be included in the AA report, instead of stating the requirements regarding the appointment of the actuary.
Part d
<ul style="list-style-type: none">• Most candidates received full credit for this part.• The most common error was to use "retired" as one the 3 reasons – retirement implies resignation.