

EXAM 6 – CANADA, SPRING 2015

34. (1.75 points)

a. (0.75 point)

Briefly describe the three objectives of the Office of the Superintendent of Financial Institutions (OSFI) in requiring peer review of the work of the Appointed Actuary.

b. (1 point)

The peer reviewer is expected to review the appropriateness and extent of internal and external material changes affecting the valuation of policy liabilities and ceded reinsurance assets. Identify four examples of material changes that the reviewer should consider.

END OF EXAMINATION

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

QUESTION 34	
TOTAL POINT VALUE: 1.75	LEARNING OBJECTIVE: D1
SAMPLE ANSWERS (BY PART, AS APPLICABLE)	
Part a: 0.75 point	
<ol style="list-style-type: none"> 1. Assisting in OSFI about the quality of AA's work 2. Be benefit of the actuaries <ul style="list-style-type: none"> - Continuing professional education - Independent consulting view 3. Establish the confidence from public/broad/senior management about AA's work 	
Part b: 1.0 point(s)	
<p>Candidates would receive full credits if they were able to give an example related to each broad category: valuation assumptions, methodology, valuation method, company operation, and material external event. Sample responses include:</p> <ol style="list-style-type: none"> 1. Methodology changed 2. Valuation software changed 3. Significant change for assumptions/selections 4. Valuation Line of business changed (mix of business) 	
EXAMINER'S REPORT (BY PART, AS APPLICABLE)	
Part a	
<ul style="list-style-type: none"> • Generally candidates performed well on this part, and the majority received full credit. • 	
Part b	
<ul style="list-style-type: none"> • Candidates receive full credit by providing four examples related to each of the items listed on OSFI Appointed Actuary: Legal requirements, Qualifications and Peer Review (Page 8): <ol style="list-style-type: none"> 1. changes in key actuarial valuation assumptions or unusual adverse or favourable loss development 2. changes in methodology used in the valuation; 3. changes in company operations or circumstances 4. use of a revised valuation model 5. material events that would suggest that valuation assumptions or methods may need to be modified • Most candidates received partial credit on this part. Most candidates provided 4 examples, but it was common for some examples to relate to the same category(e.g., change of selected discount rate & change of selected LDFs both relate to assumption changes) 	