

EXAM 6 – CANADA, SPRING 2016

28. (1.5 points)

The following information is available:

- An insurance company's fiscal year-end is December 31, 2015;
- A major event impacting the company's insurance contract liabilities occurs on January 15, 2016;
- The actuary becomes aware of the event on January 20, 2016, prior to completing the year-end valuation.

a. (0.25 point)

Define "subsequent event" according to the Canadian Institute of Actuaries.

b. (1.25 points)

Using the subsequent event decision tree, assess whether or not this event should be classified as a subsequent event.

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SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 28	
TOTAL POINT VALUE: 1.5	LEARNING OBJECTIVE: C1, D1
SAMPLE ANSWERS	
Part a: 0.25 point	
A subsequent event is an event of which an actuary first became aware after the calculation date but before the corresponding report date.	
Part b: 1.25 points	
<p>a. When did the actuary first become aware of the event? The actuary became aware of the event after the calculation date of December 31st.</p> <p>b. Does the event reveal a data defect or calculation error? No.</p> <p>c. When did the event occur? January 15th.</p> <p>d. Does the event make the entity different? The earthquake does not retroactively make the entity different, but it makes the entity different after the balance sheet date.</p> <p>e. What is the purpose of the work? If the purpose is to report on the entity as it was, then the actuary would not take the event into account in the selection of methods and assumptions. In addition, the effect of the earthquake will be disclosed in the notes of the financial statements.</p>	
EXAMINER'S REPORT	
<p>Candidates were expected to know the definition of subsequent events and at least the dates for deciding whether an event is considered a subsequent event.</p> <p>Candidates generally scored well, see subpart for detail.</p> <p>The question was not challenging and is straight forward.</p>	
Part a	
Candidates generally scored well in this question. Partial definitions were given full credit.	
Part b	
<p>Candidates generally scored well in this question.</p> <p>Candidates lost credit over not indicating whether the event revealed a data defect or calculation error.</p> <p>Candidate also lost credit by not specifying the applicable answer/decision for this particular situation.</p>	