

**EXAM 6 – CANADA, FALL 2016**

28. (1.75 points)

a. (0.25 point)

Define the term “subsequent event”.

b. (1.5 points)

The Appointed Actuary (AA) of an automobile insurance company is valuing policy liabilities as of December 31, 2015. The report date is February 19, 2016. For each of the following events, identify whether it is a subsequent event and explain any actions that the AA should take.

- i. The AA received a notice on March 1, 2016 that a large claim was reported in 2015 but was missing from the data.
- ii. The AA has been notified on January 15, 2016 that one of the unregistered reinsurers went insolvent because of gradual deterioration. The reinsurer insured less than 0.5% of the insurer’s ceded business.
- iii. Court has settled a claim on January 28, 2016 which will retroactively impact all accident benefit claim amounts.

**END OF EXAMINATION**

## EXAM 6C FALL 2016 SAMPLE ANSWERS AND EXAMINER'S REPORT

<b>QUESTION 28</b>	
<b>TOTAL POINT VALUE: 1.75</b>	<b>LEARNING OBJECTIVE(S): D1</b>
<b>SAMPLE ANSWERS</b>	
<b>Part a:</b> 0.25 point	
<ul style="list-style-type: none"> <li>Subsequent event is an event the AA becomes aware of after the calculation date but before the report date</li> </ul>	
<b>Part b:</b> 1.5 points	
<u>Sample Responses for Part (i)</u> <ul style="list-style-type: none"> <li>Sample 1: Not a subsequent event – this is a data error so AA should withdraw the report and issue a new report with the correction</li> <li>Sample 2: Based on decision tree: Is this a subsequent event? No If it was a subsequent event, would it have required a correction? Yes, it is a data defect Does it invalidate the report? Yes – withdraw and amend the report</li> </ul>	
<u>Sample Responses for Part (ii)</u> <ul style="list-style-type: none"> <li>Sample 1: Subsequent event – since only 0.5% of business is ceded, this is most likely immaterial to the insurer and does not make the entity different. AA does not need to reflect the event in the report but should report it.</li> <li>Sample 2: Is this a subsequent event? Yes Does the event change the entity as it was on the calculation date? No, given that only 0.5% is ceded, this is likely immaterial Thus, should add a note to financials but not correct the report</li> </ul>	
<u>Sample Responses for Part (iii)</u> <ul style="list-style-type: none"> <li>Sample 1: Subsequent event – since the event makes the entity different, AA should reflect the event in the report.</li> <li>Sample 2: Is this a subsequent event? Yes Does the event change the entity as it was on the calculation date? Yes, it is an adjusting event and will retroactively impact claims – AA should reflect event in the report</li> </ul>	
<b>EXAMINER'S REPORT</b>	
<p>Candidates were expected to demonstrate understanding of subsequent events. For a number of scenarios, candidates were expected to determine whether it is a subsequent event as well as the appropriate actions that must be taken by the AA.</p>	
<b>Part a</b>	
<p>Candidates were expected to provide a clear and concise definition of a subsequent event.</p> <p>A common mistake was Indicating that a subsequent event was <i>incurred</i> or <i>occurred</i> after the calculation date but before the report date</p>	

## EXAM 6C FALL 2016 SAMPLE ANSWERS AND EXAMINER'S REPORT

### Part b

Candidates were expected to identify whether a given scenario is a subsequent event and to determine the appropriate actions that must be taken by the Appointed Actuary in each scenario.

This required candidates to demonstrate understanding of subsequent events in the context of specific situations.

Common mistakes included:

- Incorrectly identifying an event as a subsequent event when it was not, and vice versa
- Not explicitly stating whether each of the events was a subsequent event
- Correctly classifying an event as a subsequent event but not being able to identify the appropriate action to be taken by the AA
- Not providing an action to be taken by the AA
- In the case where the subsequent event is after the calculation date but does not make the entity different, the AA is expected to report the event. Some candidates indicated that the AA should do nothing.