

EXAM 6 – CANADA, FALL 2017

28. (1.5 points)

The AA of a company is valuing the policy liabilities as at December 31, 2016. The report date is February 22, 2017.

For each of the following scenarios, justify the actions that the AA should take.

a. (0.75 point)

There was a British Columbia snow storm which occurred on February 5, 2017, and the company has material exposure in this province.

b. (0.75 point)

The AA received notice on February 15, 2017, that some previously reported losses as of December 31, 2016, experienced a large change in value. The change in value is in excess of the standard of materiality, and it was recorded in the insurance claims database in mid-January 2017.

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EXAM 6C FALL 2017 SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 28	
TOTAL POINT VALUE: 1.5	LEARNING OBJECTIVE(S): D1
SAMPLE ANSWERS	
Part a: 0.75 point	
<p><u>Sample 1</u></p> <p>This is a subsequent event since awareness was before report date and after calculation date. AA should disclose it in note as the purpose is to report the company as at calculation date.</p> <p><u>Sample 2</u></p> <p>It is a subsequent event, but doesn't retroactively impact the report. Since the report is to measure liability as at December 31st, 2016, AA should include a note in the report and inform the possibility of future liability increase due to the event.</p>	
Part b: 0.75 point	
<p><u>Sample 1</u></p> <p>It is a subsequent event as it was first aware between report date and calculation date. It is not a data error, and it happened after calculation date. If IBNR is sufficient, it is the nature of the business, not further action. If IBNR is insufficient, disclose the impact.</p> <p><u>Sample 2</u></p> <p>This is a subsequent event. If change in claim value is small, IBNR should absorb it and no need to change anything. If the change in reported loss value is large, AA should disclose it.</p>	
EXAMINER'S REPORT	
<p>Candidates were expected to understand the Appointed Actuary's responsibilities related to Subsequent Events, as outlined in the CIA Educational Note, including determining whether an event is defined as a subsequent event under CIA Standards and the AA's appropriate action for each event.</p>	
Part a	
<p>Candidates were expected to describe whether the described event is a subsequent event and how the event should be reported.</p> <p>A common mistake was:</p> <ul style="list-style-type: none"> Stating that no action was required. Since the actual premium liabilities could be materially different from the expected premium liabilities, the AA should disclose information regarding the event as a note to the financial statement. 	
Part b	
<p>Candidates were expected to understand whether the event would impact the entity before or after the calculation date and describe the appropriate action to be taken by the AA.</p> <p>Common errors include:</p> <ul style="list-style-type: none"> Stating that the event impacted the entity as at calculation date or stating that it was a data error. 	

EXAM 6C FALL 2017 SAMPLE ANSWERS AND EXAMINER'S REPORT

- Stating that the AA should include the large change in value in the calculation.
- Not fully discussing different actions of AA dependent on whether IBNR is sufficient or not.