

EXAM 6 – CANADA, FALL 2017

29. (2.25 points)

a. (0.75 point)

Identify three reasons why an actuary would cease to hold the position of AA.

b. (0.5 point)

Briefly discuss whether it is possible for a chief financial officer to hold the position of AA of a company.

c. (1 point)

Describe the AA's duty to report to

- i. The directors of the insurance company
- ii. The officers of the insurance company

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

QUESTION 29	
TOTAL POINT VALUE: 2.25	LEARNING OBJECTIVE(S): D1
SAMPLE ANSWERS	
Part a: 0.75 point	
<u>Sample 1</u> <ul style="list-style-type: none"> • Death • Appointment revoked • Resignation from position <u>Sample 2</u> <ul style="list-style-type: none"> • Dies • Resigns • Ceases to be an actuary 	
Part b: 0.5 point	
<u>Sample 1</u> Yes, under 2 conditions: <ol style="list-style-type: none"> 1. Audit committee needs to send a letter to the Superintendent stating that it is satisfied that the current CFO will be able to do both jobs independently 2. Superintendent has to approve the appointment <u>Sample 2</u> It is possible: <ul style="list-style-type: none"> • The audit committee will need to write to Superintendent that it is confident that CFO can take on both roles adequately and independently with no conflict of interest. The audit committee must seek approval from Superintendent. • Superintendent approves 	
Part c: 1 point	
<u>Sample 1</u> <ol style="list-style-type: none"> i. The AA shall meet with the directors at least once a year to discuss the financial condition of the company as well as the future financial health of the company (DCAT) ii. The AA shall send an email to the CFO and CEO if he finds an event that could potentially harm the financial health of the company. If proper actions are not taken, the AA shall send a letter informing the Superintendent and send a copy to the Board. <u>Sample 2</u> <ol style="list-style-type: none"> i. AA must report to the Board at least once a year on the current and future financial condition of the company ii. AA must notify officers of any situation that could have a material adverse impact on the financial health of the company. AA should give a date at which corrections must have been made and if corrections are not made, AA must notify Superintendent. <u>Sample 3</u>	

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

<p>i. AA must report to directors his assessment on policy liabilities and future financial condition of the company; as well as render opinion on the current and future financial condition of the company</p> <p>ii. AA must report to CEO and CFO any matters that have a material adverse impact on company's financial conditions and that require rectification. AA needs to provide actions that must be taken to address these issues. Should no suitable actions be taken according to AA, must inform Superintendent and advise the officers that he/she has done so.</p>
EXAMINER'S REPORT
Candidates were expected to describe the major responsibilities of the actuary.
Part a
<p>Candidates were expected to identify three reasons why an actuary would cease to hold position of AA.</p> <p>Common mistakes include:</p> <ul style="list-style-type: none">• Identifying reasons that would not necessarily result in an actuary ceasing to hold position of AA, such as:<ul style="list-style-type: none">○ Loss of FCAS credential
Part b
<p>Candidates were expected to discuss the circumstances under which the CFO could hold the position of AA and CFO simultaneously.</p> <p>Common mistakes include:</p> <ul style="list-style-type: none">• Not providing enough of a description, such as:<ul style="list-style-type: none">○ Not mentioning the audit committee duties○ Failing to mention that OSFI must approve the appointment
Part c
<p>Candidates were expected to distinguish the AA's reporting duties between the directors of the company (Board) and the officers (CEO/CFO).</p> <p>Common mistakes include:</p> <ul style="list-style-type: none">• Mixing up the AA's reporting responsibilities to the Board with that to the officers and vice versa.• Not providing enough description.• Providing an inaccurate description of the AA's duty to report to the Board and the officers.• Writing the same answer for each subpart.