

**EXAM 6 – CANADA, SPRING 2018**

27. (3.25 points)

The following information is available:

- XYZ is a federally licensed insurance company.
- All actuaries are FCIA's in good standing.

Actuary	Information available about the actuary
A	A works at the same consulting firm as the AA of XYZ.
B	B is newly hired at a consulting firm and previously worked exclusively for one Canadian insurance company in the past fifteen years.
C	C worked at XYZ for ten years, and left one year ago to join a consulting firm to act as AA for five different Canadian insurance companies.

a. (0.75 point)

Justify whether actuaries A, B and C are eligible to serve as the external peer reviewer for company XYZ.

b. (1 point)

Identify four duties of the external peer reviewer.

c. (1 point)

Compare and contrast external peer review and external audit work.

d. (0.5 point)

Briefly describe the disclosure requirement of the external peer review work in the AA report.

**END OF EXAMINATION**

**EXAM 6C SPRING 2018 SAMPLE ANSWERS AND EXAMINER'S REPORT**

<b>QUESTION 27</b>	
<b>TOTAL POINT VALUE: 3.25</b>	<b>LEARNING OBJECTIVE(S): D</b>
<b>SAMPLE ANSWERS</b>	
<b>Part a: 0.75 point</b>	
<p>A: no, external peer reviewer can't be from the same firm as AA</p> <p>B: no, external peer reviewer should have experience in at least two unrelated companies</p> <p>C: no, external peer reviewer can't be employee of company being reviewed for at least last three years</p>	
<b>Part b: 1 point</b>	
<p>Any four of the following:</p> <ul style="list-style-type: none"> <li>- To make sure the AA conduct work following accepted actuarial standards</li> <li>- To review reasonableness and appropriateness of AA's assumptions and methodologies</li> <li>- To ensure AA has sufficiently documented assumptions and methodologies used</li> <li>- To access systems, processes, tools used by the AA in their valuation to the extent that it has not been reviewed by the external auditor</li> <li>- Provide additional education and guidelines to AA</li> <li>- Review material internal and external changes</li> <li>- Write peer review report with his opinion</li> </ul>	
<b>Part c: 1 point</b>	
<p>Any four of the following:</p> <ul style="list-style-type: none"> <li>- External auditor is interested in financial results as a whole</li> <li>- Peer reviewer look at the report in more granularity</li> <li>- External auditor does detailed re-calculations but peer reviewer does not</li> <li>- They have different materiality standard</li> <li>- Peer reviewer does not have to validate the data used while the external auditor does</li> <li>- External auditor review based on CICA standard while peer reviewer review based on CIA standard</li> </ul>	
<b>Part d: 0.5 point</b>	
<p>Any two of the following:</p> <ul style="list-style-type: none"> <li>- The main results and findings</li> <li>- When the review was done</li> <li>- Disclose the name of the peer reviewer</li> </ul>	
<b>EXAMINER'S REPORT</b>	
<p>Candidates are expected to understand OSFI guidelines related to actuarial work.</p>	

## EXAM 6C SPRING 2018 SAMPLE ANSWERS AND EXAMINER'S REPORT

### Part a

Candidates should know the qualification criteria to act as a peer reviewer of Appointed Actuary work.

Common errors included:

- Providing incorrect criteria, for example:
  - Peer reviewer should have exposure to two more unrelated insurance companies
- Answering the question without providing any rationale.

### Part b

Candidates were expected to know the duties of the peer reviewer.

Common errors included:

- Providing incorrect duties, for example:
  - Make recommendations of AA work to the company
  - Meet with the actuary/senior management
  - Sign that the report has been peer reviewed

### Part c

Candidates were expected to know the difference between the role of the peer reviewer and the role of the external audit actuary.

A common error was providing incomplete answers.

### Part d

Candidates were expected to know the disclosure requirement for peer review results in the AA report.

A common error included:

- Stating what needs to be included in the peer review report instead of describing the disclosure in the Appointed Actuary report on the external peer review work.