

EXAM 6 – CANADA, FALL 2019

29. (3.25 points)

a. (1 point)

Briefly describe four qualifications that OSFI expects in assessing the suitability of an Appointed Actuary (AA).

b. (0.75 point)

Briefly describe three objectives sought by OSFI in requiring a peer review of the work of the AA.

c. (0.75 point)

Briefly describe three of OSFI's expectations of a full peer review of an AA report.

d. (0.75 point)

Briefly describe three examples of material changes that the peer review is expected to consider.

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SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 29	
TOTAL POINT VALUE: 3.25	LEARNING OBJECTIVE(S): D1
SAMPLE ANSWERS	
Part a: 1 point	
<u>Sample 1</u> <ul style="list-style-type: none">• Has at least 3 years of Canadian experience in the past 6 years with one year in valuation• Has experience with Canadian legislation and regulation• Up-to-date in continued professional development• Doesn't have adverse findings in CIA disciplinary tribunal	
<u>Sample 2</u> <ul style="list-style-type: none">• 6 years in the past, 3 years of Canadian experience with 1 year valuation• Meet professional development requirement• No adverse findings in disciplinary tribunal• Experience in SOP	
Part b: 0.75 point	
<u>Sample 1</u> <ul style="list-style-type: none">• Assess insurer financial health and soundness• Give confidence in AA's work with the regulators and the public• Give independent advice to the AA	
<u>Sample 2</u> <ul style="list-style-type: none">• Assist OSFI to assess a company's financial soundness and safety• Assist AA with professional advice• Provide confidence to the public, regulators & shareholders	
<u>Sample 3</u> <ul style="list-style-type: none">• Help OSFI assess safety and soundness of AA's work• Improve AA's work by providing professional education• Enhance public confidence of AA's work (regulator, policyholder, creditor)	
<u>Sample 4</u> <ul style="list-style-type: none">• Build public trust in insurer competence• Assist AA and give guidance on ways to improve• Assist OSFI in assessing financial condition of insurers	
Part c: 0.75 point	
<u>Sample 1</u> <ul style="list-style-type: none">• Review if the AA used accepted actuarial principles• Review assumptions and methods• Review internal and external changes to the insurer	
<u>Sample 2</u>	

SAMPLE ANSWERS AND EXAMINER'S REPORT

- Validation of assumptions and methods used in DCAT
- That the AA followed accepted actuarial practice
- That the AA documented assumptions and methods

Part d: 0.75 point

Sample 1

- System change
- Valuation assumption change
- Valuation method change

Sample 2

- Change in valuation methodologies
- Change in claim handling practice
- Court decision regarding liability payout

Sample 3

- Rapid growth in the company
- Catastrophe event
- Change to the valuation calculation software

Sample 4

- Change in systems (valuation software)
- Change in material external event (inflation)
- Change in valuation assumptions (LDFs)

Sample 5

- Changes in management or management practices
- Changes in software used for valuations
- Any changes in the insurance landscape due to legal decisions

EXAMINER'S REPORT

Candidates were expected to understand the professional responsibilities of the actuary with regard to the requirements to act as an Appointed Actuary (AA) in Canada and OSFI's expectations for peer review.

Part a

Candidates were expected to know the requirements to act as an AA in Canada.

Common errors included:

- Incomplete answers with respect to the experience qualification, for example, not indicating the 3 years of Canadian experience must be within the latest 6 years or not indicating 1 of which must be valuation experience.
- Stating that an FCAS is qualified to be AA in Canada

SAMPLE ANSWERS AND EXAMINER'S REPORT

Part b

Candidates were expected to understand what OSFI wants to achieve through peer review.

Common errors included:

- Describing OSFI's expectation of a full peer review instead of OSFI's objectives of peer review, that is, confusing part b. and part c.
- Describing the frequency of peer review, not what OSFI wants to achieve through peer review
- Repeating answers in different words

Part c

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

Common errors included:

- Describing OSFI's objectives of peer review instead of OSFI's expectation of a full peer review, that is, confusing part b. and part c.
- Repeating answers in different words

Part d

Candidates were expected to understand three different categories of material changes and provide one example in each category.

A common error included:

- Providing two similar examples in the same category, for example, answers that are both covered under company operations