

EXAM 6 – CANADA, FALL 2019

31. (1.5 points)

For each scenario, describe the course of action in response to a potential subsequent event. Note that the actuarial report is as at December 31, 2018 with a report date of January 20, 2019.

a. (0.5 point)

The actuary learns of a series of small missing claims due to miscoding from the claims department. The claims department became aware of this problem on December 28, 2018 but only informed the actuary on January 24, 2019.

b. (0.5 point)

The actuary's insurance company acquired another small insurance company on January 10, 2019; the actuary was made aware of the acquisition on the same day. The acquired company has been extremely unprofitable in recent years.

c. (0.5 point)

A major ice storm, having a very significant impact on the insurance company's financial results, occurred in Eastern Canada from January 2 to January 5, 2019. The actuary became aware of this event as it occurred.

END OF EXAMINATION

SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 31	
TOTAL POINT VALUE: 1.5	LEARNING OBJECTIVE(S): D1
SAMPLE ANSWERS	
Part a: 0.5 point	
<u>Sample 1</u> <ul style="list-style-type: none">• This is not a subsequent event (after report date)• Since it is an error, if the event is material, amend or withdraw the report and reflect it in the new one	
<u>Sample 2</u> <ul style="list-style-type: none">• Not a subsequent event• Withdraw and amend report due to data error	
<u>Sample 3</u> <ul style="list-style-type: none">• Actuary is informed after report date -> not a subsequent event• Since the data issue is not material -> no action required	
<u>Sample 4</u> <ul style="list-style-type: none">• Since small claims are not material, inform only	
Part b: 0.5 point	
<u>Sample 1</u> <ul style="list-style-type: none">• It is a subsequent event• It would not make the entity different as it was at the calculation date• The actuary should disclose the event but not make adjustment in the report	
<u>Sample 2</u> <ul style="list-style-type: none">• Subsequent event• Not an error• Happened after calculation date• Entity different after calculation date• Purpose was to report as it was• Inform if material	
Part c: 0.5 point	
<u>Sample 1</u> <ul style="list-style-type: none">• It is a subsequent event because AA became aware between the calculation date and the report date• The AA should inform only, because the purpose is to report as it was at the calculation date.	
<u>Sample 2</u> <ul style="list-style-type: none">• Subsequent event• Not an error	

SAMPLE ANSWERS AND EXAMINER'S REPORT

- After calculation date
- Entity different after calculation date
- Purpose: report as it was
- Inform if material

Sample 3

- Subsequent event
- Does not change the value of entity as at Dec 31, 2018
- So disclose with notes

Sample 4

- It is a subsequent and will impact the company materially, but not retroactively
- So the actuary should disclose the event only

Sample 5

- Subsequent event since it's between Dec 31, 18 and Jan 20, 19
- Non adjusting, does not change company at calculation date
- Disclose in notes

EXAMINER'S REPORT

Candidates were expected to demonstrate an understanding of subsequent events in the context of specific scenarios and the logic that should be used by the AA to determine the appropriate course of action.

Part a

Candidates were expected to know that this is not a subsequent event and to explain the AA's course of action in this scenario.

Common errors included:

- Incorrectly identifying this event is a subsequent event
- Not providing the logic behind the course of action or not providing enough reasons to support the course of action
- Providing more than one course of action which are conflicting without clearly explaining the correct course of action.

Part b

Candidates were expected to know that this is a subsequent event and to explain the AA's course of action in this scenario.

Common errors included:

- Incorrectly identifying this event is not a subsequent event
- Only mentioning that the AA do not need to reflect in the work but without mentioning that the AA should still inform the users
- Not providing the logic behind the course of action or not providing enough reasons to support the course of action

SAMPLE ANSWERS AND EXAMINER'S REPORT

Part c

Candidates were expected to know that this is a subsequent event and to explain the AA's course of action in this scenario.

Common errors included:

- Incorrectly identifying this event is not a subsequent event
- Only mentioning that the AA does not need to reflect in the work but without mentioning that the AA should still inform the users
- Not providing the logic behind the course of action or not providing enough reasons to support the course of action