

21. (2.75 points)

Answer the following based on ASOP 41.

a. (0.75 point)

Briefly describe three disclosures that should be included in an Actuarial Report if the assumptions used in the Report were promulgated by a state insurance department.

b. (0.5 point)

Describe the course of action that the actuary should take if the Actuarial Report is in a prescribed form that does not accommodate the disclosures identified in part a. above.

c. (1.5 points)

Identify six disclosures, other than those described in parts a. and b. above, that an actuary should include in any Actuarial Communication.

SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 21	
TOTAL POINT VALUE: 2.75	LEARNING OBJECTIVE: D1
SAMPLE ANSWERS (BY PART, AS APPLICABLE)	
Part a: 0.75 point	
<p>The following provide examples of responses having the necessary components to demonstrate knowledge of the topic and obtain full credit:</p> <ul style="list-style-type: none"> • 1) that the assumptions were promulgated by the state insurance department • 2) what these assumptions are • 3) that the report was completed in accordance with these promulgated assumptions • 1) state law • 2) assumptions required by the state law • 3) statement that the report has been prepared in accordance with the state law • 1) the assumptions mandated by the relevant regulation • 2) the regulation itself • 3) that the report was prepared in accordance with the relevant regulation • 1) the law used • 2) the assumption prescribed by the law • 3) the calculation is according to the assumption required by law 	
Part b: 0.5 point	
<p>The following provide examples of responses having the necessary components to demonstrate knowledge of the topic and obtain full credit:</p> <ul style="list-style-type: none"> • Make the require disclosures in a cover letter with needed exhibits and ask that to be always distributed together with Actuarial Report • The actuary could attach a document to the report stating the disclosures in part a • The actuary should attach a cover letter to the report to disclose the necessary disclosures • Prepare a separate written communication making disclosures attached to the report 	
Part c: 1.5 point	
<p>The following provide examples of responses having the necessary components to demonstrate knowledge of the topic and obtain full credit; any six of the following received full credit:</p> <ul style="list-style-type: none"> • Name of actuary • Subject of report • Include any supporting documents • Disclose intended users • Disclose intended use/function/purpose • Qualifications • Any inherent risks/cautions to take with report • Materiality standard • Any limitations • Conflict of interest • If the actuary relied on the work of another actuary • Date • Subsequent events • Relationship with the company • Assumptions and methodologies used 	

SAMPLE ANSWERS AND EXAMINER'S REPORT

- Material changes from prior
- Version number
- Any deviations from ASOPs

EXAMINER'S REPORT (BY PART, AS APPLICABLE)

Part a

Most candidates listed either zero or one of the three required items. Many candidates did not recognize that this part of the question was looking for the list in Section 4.2 of ASOP 41. They instead listed disclosures that would have received credit for part c (from section 4.1.3). This question was very specific in requiring disclosures needed if the assumptions used were required by state law, so only the items in Section 4.2 were considered for credit. Another common mistake was stating that the actuary should disclose whether they agree with the required assumptions.

Part b

Candidates performed poorly on this part of the question with most candidates receiving no credit. Very few candidates recognized that this part of the question was looking for how the information should be disclosed. Many candidates only stated that the actuary should disclose that the report is in a prescribed form that doesn't accommodate the disclosures required in part a.

Part c

Candidates performed well on this part with the majority of candidates receiving credit for either five or six disclosures. The candidate was expected to recognize that this question was looking for the disclosures listed in Section 4.1.3 of the ASOP, but credit was given for items listed throughout ASOP 41. Again, candidates that performed poorly did not recognize the lists that the question was intended to address. Some candidates listed specific items about the data or the analysis such as

- Unusual IRIS ratios
- Gross or net of subrogation
- Gross or net of reinsurance
- Discounting used and/or at what rate
- Pooling arrangements
- Asbestos or mass tort exposures
- Compliance with ASOP
- Booked/estimated reserves
- Reinsurance collectability