

EXAM 6 – UNITED STATES, SPRING 2016

20. (2 points)

a. (1.5 points)

For each of the following scenarios, identify the type of opinion that the Appointed Actuary should issue and identify two required disclosures in the OPINION section (beyond those required in all OPINION sections).

- i. The Appointed Actuary reviews an analysis performed by another actuary regarding a material portion of the company's business. The Appointed Actuary concludes that the carried reserves for that portion are reasonable and, as a result, decides not to perform an independent analysis of that business. The Appointed Actuary independently projects reserves for the remainder of the book and finds that the carried reserves for it are reasonable.
- ii. The Appointed Actuary independently projects reserves for all lines of business other than Surety and concludes that the recorded reserves for the reviewed lines are reasonable. Recorded reserves from Surety represent approximately 30% of the company's total reserves.

b. (0.5 point)

The following statement does not comply with the NAIC instructions relating to Statements of Actuarial Opinion. Explain why the following statement is not in compliance.

A "Qualified Actuary" is a person who meets the basic education, experience and continuing education requirements of the Specific Qualification Standards for Statements of Actuarial Opinion as promulgated by the Casualty Actuarial Society and is either:

- A member in good standing of the Casualty Actuarial Society, or
- A member in good standing of the American Academy of Actuaries.

CONTINUED ON NEXT PAGE

SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 20	
TOTAL POINT VALUE: 2	LEARNING OBJECTIVE: D1
SAMPLE ANSWERS	
Part a: 1.5 points	
<p>Scenario i: State Reasonable opinion and any two of the following disclosures:</p> <ul style="list-style-type: none"> • Disclose the name of the other actuary • Disclose the affiliation of the other actuary • Disclose that the actuary reviewed the other actuary's work • Disclose the extent of that review <p>Scenario ii: State Qualified opinion and any two of the following disclosures:</p> <ul style="list-style-type: none"> • Disclose the portion of the business (Surety) to which the qualification applies • Disclose the reason for the qualification • Disclose the amount of the carried reserves on Surety business, if disclosed by the company • Disclose that the carried reserves other than Surety book is reasonable 	
Part b: 0.5 point	
<ul style="list-style-type: none"> • State that AAA promulgates qualification standards not CAS • State that if member of AAA then must also be approved as qualified by the Casualty Practice Council or Casualty Council of AAA 	
EXAMINER'S REPORT	
Part a	
<p>The candidates were expected to identify the type of opinion to issue under two different scenarios. They were also expected to identify two required disclosures for each opinion. Common errors included :</p> <ul style="list-style-type: none"> • Stating the need to disclose other actuary's credentials or qualifications • Stating the need to disclose that the actuary relied upon the work of the other actuary without mentioning the other actuary's name, affiliation, or that he/she reviewed the other actuary's work • Stated only that no independent review was performed • Stating that surety was material, but not the amount of reserves 	
Part b	
<p>The candidates were expected to explain why the statement is not in compliance. There were two errors in the statement that the candidates were expected to comment on, however, most candidates provided only one answer. Common errors included:</p> <ul style="list-style-type: none"> • Stating that the qualification standards are promulgated by NAIC • Identifying that the CAS does not promulgate the standards without explaining who does • Stating that if member of AAA, then must be approved by state regulator, AAA, committee, board, council, working group, etc. 	