

EXAM 6 – UNITED STATES, SPRING 2016

25. (2.75 points)

a. (0.75 point)

Briefly describe three Actuarial Standards of Practice that apply to the analysis of year-end unpaid property and casualty claim estimates.

b. (2 points)

The Appointed Actuary has calculated a range of reasonable reserve estimates. Using an “X” mark, identify all locations in which each of the following are reported by replicating and completing the following table. The replicated table does not need to include the “Item Description” column.

| Item | Item Description | Actuarial Report | Annual Statement | Statement of Actuarial Opinion (SAO) | Actuarial Opinion Summary (AOS) |
|-------------|--|-------------------------|-------------------------|---|--|
| #1 | Appointed Actuary’s Range of Reserve Estimates | | | | |
| #2 | Company’s Held Reserves | | | | |
| #3 | Appointed Actuary’s Role in Setting Reserves | | | | |
| #4 | Exhibit Reconciling Data with Schedule P | | | | |

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SAMPLE ANSWERS AND EXAMINER'S REPORT

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| QUESTION 25 | |
| TOTAL POINT VALUE: 2.75 | LEARNING OBJECTIVE: D1 |
| SAMPLE ANSWERS | |
| Part a: 0.75 point | |
| <ul style="list-style-type: none">• ASOP 20 - Discounting of Property/Casualty Unpaid Claim Estimates<ul style="list-style-type: none">○ Provides information on discounting procedures and disclosures;○ Addresses discounting to present value of unpaid claim estimates for property/casualty coverages • ASOP 23 – Data Quality – provides guidance on the preparation of data to complete analysis • ASOP 36 - Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves<ul style="list-style-type: none">○ Provides guidance on the preparation/requirements of the Statement of Actuarial Opinion○ standard applies to actuaries when providing written statements of actuarial opinion with respect to property/casualty loss and loss adjustment expense reserves • ASOP 41 – Actuarial Communications<ul style="list-style-type: none">○ Provides guidance on disclosures and items required for communication of actuarial opinions○ This standard applies to actuaries issuing actuarial communications within any practice area • ASOP 43 – Property/Casualty Unpaid Claim Estimates<ul style="list-style-type: none">○ Guidance on development of unpaid claim estimates including methodologies and assumptions○ This standard applies to the actuary when estimating unpaid claims for all classes of entities | |

SAMPLE ANSWERS AND EXAMINER'S REPORT

Part b: 2 points

| Item | Actuarial Report | Annual Statement | Statement of Actuarial Opinion (SAO) | Actuarial Opinion Summary (AOS) |
|------|------------------|------------------|--------------------------------------|---------------------------------|
| #1 | X | | | X |
| #2 | X | X | X | X |
| #3 | X | | * | |
| #4 | X | | | |

* The SCOPE paragraph should contain a sentence explaining that the actuary has examined the actuarial assumptions and methods used in determining the reserves in the Annual Statement. Because of this requirement may be considered a description of the actuary's role in setting reserves (Item #3), full credit was possible whether candidates marked the SAO column of item #3 or not.

EXAMINER'S REPORT

Part a

The candidate was expected to know the Actuarial Standards of Practice (ASOPs) and the application of key concepts; in this case, the candidate needed to know which ASOPs applied to loss reserving and opinions. Common errors included

- Listing only ASOP numbers or ASOP numbers and partial titles rather than describing the ASOP.
- Mismatched ASOP numbers and titles
- Not relating the responses back to an ASOP, took several statements from a single ASOP, or created ASOPs that didn't exist (i.e. Materiality, Reinsurance)
- Including SSAP items or FASB items without description

Part b

The candidate was expected to have basic knowledge of the Actuarial Report and the components contained therein. Candidates that were familiar with the material generally scored well on this part.