

20. (2.5 points)

The Appointed Actuary of XYZ Insurance, an insurance company domiciled in State X, is the Chief Reserving Officer and an FCAS. The actuary has written the following complete sections for the company's Statement of Actuarial Opinion:

IDENTIFICATION

*I, Jane Actuary, am a member of the American Academy of Actuaries.
I was appointed on November 3, 2017 to render this opinion.*

OPINION

In my opinion, the amounts carried in Exhibit A on account of the items identified make a reasonable provision for all unpaid loss and loss adjustment expense obligations and for the unearned premium reserves for long duration contracts of XYZ Insurance under the terms of its contracts and agreements.

a. (0.75 point)

Identify three errors or omissions in the IDENTIFICATION section above.

b. (0.5 point)

Identify two errors or omissions in the OPINION section above.

c. (0.5 point)

Describe a scenario in which the Appointed Actuary would issue a qualified opinion.

d. (0.75 point)

Briefly describe three required disclosures for the Appointed Actuary when issuing a qualified opinion.

SAMPLE ANSWERS AND EXAMINER'S REPORT

SPRING 2019 EXAM 6US, QUESTION 20	
TOTAL POINT VALUE: 2.5	LEARNING OBJECTIVE: D
SAMPLE ANSWERS	
Part a: 0.75 point	
<p>Bolded sample answers indicate unique subject responses, any three of which were required. Italicized sample answers are common variations on the unique response.</p> <ul style="list-style-type: none"> • Needs to state relationship to XYZ Company (Chief Reserving Officer) <ul style="list-style-type: none"> ○ <i>Must state affiliation with company</i> • Needs to state she was appointed by the Board of Directors <ul style="list-style-type: none"> ○ <i>Must state who made appointment</i> ○ <i>Failed to confirm appointment by the Board</i> • She needs to state she is a Fellow of Casualty Actuarial Society <ul style="list-style-type: none"> ○ <i>Must provide confirmation of more qualifications, MAAA is not enough</i> • Must state in good standing with AAA, approved to sign SAO by Casualty Practice Council 	
Part b: 0.5 point	
<p>Bolded sample answers indicate unique subject responses, both of which were required. Italicized sample answers are common variations on the unique response.</p> <ul style="list-style-type: none"> • Must state meets requirements of insurance laws of State X <ul style="list-style-type: none"> ○ <i>Miss the statement whether the process satisfies the requirements of State X laws</i> • Must state calculations done in accordance with accepted actuarial practices <ul style="list-style-type: none"> ○ <i>Miss the statement whether the method and assumption computed with the acceptable actuarial standards and principles</i> 	
Part c: 0.5 point	
<p><u>Sample 1</u></p> <ul style="list-style-type: none"> • If actuary did not have sufficient data to calculate estimates for material portion of reserves then should issue a qualified opinion <p><u>Sample 2</u></p> <ul style="list-style-type: none"> • A company may have entered a new line of business with insufficient internal or industry data. This portion may be qualified if the appointed actuary believes it could be material. <p><u>Sample 3</u></p> <ul style="list-style-type: none"> • The Appointed Actuary could issue a qualified opinion if he did not review a material portion of the reserves that was outside the scope of their review. For example, another actuary may provide an opinion on this portion. 	
Part d: 0.75 point	
<p>Any three of the following:</p> <ul style="list-style-type: none"> • Amount of reserves subject to qualification • Items to which qualification applies relates 	

SAMPLE ANSWERS AND EXAMINER'S REPORT

- Reason for qualification
- Opinion on remaining portion of reserves

EXAMINER'S REPORT

Candidates were expected to explain the responsibilities of an actuary as defined by standards of practice, regulators, and insurance laws for financial reporting.

Part a

Candidates are expected to state the disclosures needed in the Identification section of the SAO

A common mistake was stating that the dates of the opinion was needed

Part b

Candidates were expected to give the errors in the given opinion portion of the SAO

A common mistake was stating that the wording regarding long duration contracts should be removed (without stating an assumption that the company has no such contracts). This is a required SAO disclosure if present.

Part c

Candidates were expected to give the reasons for a qualified opinion

Common mistakes included:

- Not including the concept of materiality. An appointed actuary is not required to issue a qualified opinion if the reserves in question are immaterial.
- Not explaining why the appointed actuary couldn't review the data / opine on the reserves

Part d

Candidate was expected to give the disclosures that are to be included in a qualified opinion

Common mistakes included:

- Stating that one of the disclosures is "this is a qualified opinion"
- Stating how the data problem will get resolved – this is not a required disclosure in the SAO