

23. (3 points)

Given the following information for an insurance company:

Actuarial Range of Reasonable Estimates for Unpaid
Loss & LAE (\$ millions):

<u>Low</u>	<u>Central</u>	<u>High</u>
90	100	115

- Booked unpaid loss and LAE is \$100 million
- Surplus is \$200 million
- Surplus at next lower RBC level is \$187 million

a. (0.75 point)

Propose and calculate three materiality standards, based on different metrics, for the Statement of Actuarial Opinion (SAO).

b. (0.25 point)

Select and briefly justify a materiality standard for the SAO.

c. (0.75 point)

Fully evaluate whether there is a significant risk of material adverse deviation.

d. (0.75 point)

A regulator has proposed mandating a materiality standard for SAOs, with Appointed Actuaries required to use a fixed percentage of a specified metric. Fully evaluate this proposal.

e. (0.5 point)

Two months after issuing the SAO, the Appointed Actuary learns of an error in the data used in determining the opinion. Describe the considerations for the Appointed Actuary with respect to the SAO.