Exam: Fall 2014 6US (code FL20146U)

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Question 12 part c:

The question is asking to identify and describe one disclosure that would require in the Notes to Financial Statements. Rather or not the company purchased reinsurance, the following are required to disclose in the Notes to Financial Statements: Summary of Significant Accounting Policies, Events Subsequent, Changes in Incurred Losses and Loss Adjustment Expenses, Intercompany Pooling, Structured Settlements, Premium Deficiency Reserves, High Deductibles, Discounting Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses, and Asbestos/Environment Reserves. Assume the company had purchased reinsurance contract, the company still had to disclose items I listed here. Therefore, answering one of the item listed here should not be an incorrect answer.

Based on the model answer from the Examiner’s Report, the intention of the question is asking specifically how reinsurance should be disclosed in the Notes to Financial Statement. A more appropriate question should be “assuming the company had purchased the reinsurance contract described in part b above, identify and describe one disclosure **related to reinsurance** that would have been required in the company’s 2013 Notes to the Financial Statement”.

Question 21 part a:

The question is asking to identify four items that should be disclosure in the RELEVANT COMMENTS section of the opinion. Rather or not the reserve for the pool are material, the following should be disclosed: materiality standard, risk of materiality adverse deviation, mass torts, reinsurance, IRIS ratios and etc. Therefore, answering one of the item listed here should not be an incorrect answer.

Based on the model answer from the Examiner’s Report, the intention of the question is asking specifically comments on pool. A more appropriate question should be “assuming the reserves for the pool are material, identify four items **related to pool** that should be disclosed in the RELEVANT COMMENTS section of the opinion.