

EXAM 6 – CANADA, FALL 2012

1. (2 points)

a. (1 point)

An insurance company incorporated in Alberta is seeking to expand operations into Nova Scotia. Discuss the impact of the decision reached in the case known as “The Insurance Reference Case” (*The Attorney-General for Canada v. The Attorney-General for Alberta*) on this proposed expansion.

b. (1 point)

Describe two areas of concern of federal legislation addressing an insurance company's financial soundness.

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should note that the “answer” is almost never worth more than a quarter point and thus, candidates in danger of not finishing the exam should not waste time attempting to ensure they have calculated the “right” answer.

On the opposite end of the spectrum from Section B is Section D (Professional Responsibilities of the Actuary in Financial Reporting). This section focuses on the professional responsibilities of the appointed actuary in Canada and contains extremely important knowledge for Canadian P&C actuaries. This importance leads to a fairly high MQC score compared to the level required by Section B. In general, candidates did very poorly on this section and are therefore, encouraged to review Section D topics in more depth. The fact that these topics are at the end of the syllabus and are tested in the last section of the exam does not make knowledge less important.

Section A (Regulation of Insurance and Canadian Insurance Law) questions were fairly well completed except those on the Landmark Legal reading which were generally more poorly answered.

In summary, candidates are encouraged to think about the importance of each Learning Objective on the syllabus to the work of a P&C actuary in Canada. All Learning Objectives are not equal in importance and students should concentrate their study efforts on the more important topics.

Question 1

Answer key:

- a) An insurance company incorporated in one province could carry on business in another province without being regulated by the Federal Government. A company incorporated by a province with provincial objects was not restricted to carrying on business in only one province but could operate in other provinces with permission from those provinces.
- b)
 - Conditions that must be satisfied for a company to enter into the business of insurance
 - Reports relating to the financial condition of the company that must be submitted at regular intervals
 - Control over the investments, calculation of asset values and policy reserves
 - Protecting the interests of policyholders in areas other than those related to the control of insurance
 - (Any two of the above)

Other answers accepted by graders (important areas of concern for OSFI were accepted as valid answers – several candidates answered these):

- *Minimum capital requirements (or minimum MCT)*
- *DCAT, stress testing*
- *Earthquake reserves*

Actual candidate answer for full marks:

- a)

In The Insurance Reference case, it is ruled that the provincial government has the power to regulating insurance companies.

As long as the NS government allows the company incorporated in Alberta can expand to Nova Scotia.

b)

1. it requires periodic reporting of the financial conditions of the company
2. control of investment, calculation of assets and claim liabilities

Examiner's report:

- a. Candidates generally performed "okay" for this question when in reality they should have probably done much better. The answers are quite easy, and it is question of knowing this or not. A number of candidates confused being regulated by the Federal Government with being incorporated federally.
- b. Candidates exhibited a variety of answers, some of which recurrent, and deemed acceptable by the graders. Just as was the case for a), the graders' feeling is that candidates could have performed better on this question: The first two items in the grading key are fairly obvious answers.

Question 2

Answer key:

- a) Both of:
 - Subject matter related to regulation of trade and commerce which is a federal jurisdiction
 - Province cannot legislate so as to deprive a federal incorporated company of its status and capacity
- b) Privy Council interpreted "Trade and Commerce" as inter-provincial trade and commerce rather than regulation of a particular business carried in a single province
- c) Privy Council found the Act to be intra vires.

Actual candidate answer for full marks:

- a) i) insurance related to "trade & commerce" which is federally regulated, so province cannot pass such an Act
ii) province cannot act to diminish status & capacity of a British or foreign insurer
- b) meant "interprovincial" trade & commerce, not "intraprovincial"
- c) Ontario's act was intra vires

Examiner's report:

Candidates performed generally well for this question, especially given the fact that this material is not as key as other material. Common mistakes/omissions were related to the second point of part A (province cannot legislate...): a large number of candidates simply did not mention this, while quite a few others tried to articulate this point but failed to do so in a complete manner, making the grading exercise more complex. Most candidates did fairly well on the notion of trade and commerce being interpreted at inter-provincial trade and commerce, and also with respect to the intra vires verdict. Overall, candidates seemed to have a pretty good grasp/understanding of what this court case is about as well as its associated ramifications.