18. (1.25 points)

Briefly explain whether each of the following risks is eligible to be ceded to its respective provincial risk sharing pool.

a. (0.25 point)

A motorcycle with a Third Party Liability limit of $1 million and standard deductibles, written in Ontario.

b. (0.25 point)

A motorcycle with a Third Party Liability limit of $2 million and standard deductibles, written in Quebec.

c. (0.25 point)

A private passenger vehicle with a Third Party Liability limit of $500,000 and standard deductibles, written in Quebec. As the broker knew the insured personally, the insured received a special discount of 10% off the standard manual rate.

d. (0.25 point)

A private passenger vehicle with a Third Party Liability limit of $200,000 and standard deductibles, written in Ontario. This vehicle is only used in summer and is stored from October to April each year.

e. (0.25 point)

A private passenger vehicle with a Third Party Liability limit of $100,000 and standard deductibles, written in Quebec.

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→the wrong decision can result in losses and insolvency

Examiner's report:

a. This is a question to evaluate a candidate ability to make a judgment. Therefore, many answers could be acceptable and there are no "right" answers per se. Solid arguments could be made on both sides. But by mentioning to the candidate to focus on the financial capacity, we narrow it down and avoid a discussion about operational concerns.

b. Common Mistake: Failure from a reinsurer
   Answer not acceptable :
   - Size : 68% had less than $10 million in capital

   Comment: This part was generally responded to well, with many candidates received full credit.

Question 18

Answer key:

a. No, only private passenger vehicles can be ceded
b. Yes, motorcycle can be ceded to the pool
c. No, the premium transferred for the risk must have been determined according to the Insurer's Standard Rate Manual
d. Yes, the risk meets the compulsory minimum limit. Can be ceded even though the vehicle is stored.
e. Yes, a risk transferred shall be insured under third party liability for at least the Quebec compulsory minimum limit, which is $50,000.

Actual candidate answer for full marks:

(a) No, this a residual risk
(b) Yes. No restrictions in PQ for motorcycle & limits can be endorsed
(c) No, special discount not allowed, premiums must be approved
(d) Yes allowed, no restrictions on seasonality of use as long as insurer is ok with sharing the risk
(e) Yes allowed, meets standards for transfer in PQ

Examiner's report:

Very few candidates received full marks on this question. It appeared to the graders that numerous candidates had guessed the answers. Common mistakes include the following:

- Most candidates did not know that motorcycles are not accepted in the Ontario RSP but are in the Quebec PRR (RSP).
- A number of candidates did not know that winter storage is not problematic when ceding a risk to the RSP.
- Very few candidates knew that the minimum limit for cessions in Quebec is $50,000.

On a different note, most candidates know that "flexing" (special discount) was not allowed when ceding to the Quebec RSP, and some even knew that if the broker had flexed the premium, the company could still cede the risk, as long as the unflexed premium was ceded.