

## **EXAM 6 – CANADA, FALL 2012**

35. (1.5 points)

a. (0.5 point)

Describe the requirement regarding disclosure of concentrations of insurance risk in property and casualty insurers' financial statements.

b. (0.5 point)

Identify two pieces of information that an insurer can use to respond to the requirement described in part a. above.

c. (0.5 point)

Identify two considerations in determining the concentration risk.

**CONTINUED ON NEXT PAGE**

## Question 35

### Answer key:

- a) Concentrations of insurance risk, including a description of how management determines concentration and a description of the shared characteristic that identifies each concentration.
- b) The insurer may include a description of its concentration by business segment, geographic region, or any other characteristic relevant to its operations (2 out of 3)
- c) 2 out of 3: diversification, underwriting limits, reinsurance

### Actual candidate answer for full marks:

- a) 1) How the management determined concentration  
2) What are the shared characteristics that defines the concentration (territorial, products, etc.)
- b) Territory, products type
- c) 1) Diversification  
2) Underwriting limit

### Examiner's report:

This question was not well understood by candidates. For section b) and c), we have accepted answers that were included in the answer to sections a), b) or c). For sections b) and c) we have accepted some answers that weren't mentioned in the text but made sense in the context of the question.

In section a), we have accepted many answers that could be similar to "description of the shared characteristic that identifies each concentration".

## Question 36

### Answer key:

- a. Three of the following
  - Review the annual statement of the company before the annual statement is approved by the directors
  - Review such returns of the company as the Superintendent may specify
  - Require the management of the company to implement and maintain appropriate internal control procedure
  - Review such investments and transactions that would adversely affect the well-being of the company as the auditor or any officer of the company may bring to the attention of the committee
  - Meet with the auditor to discuss the annual statement and the returns and transactions
  - Meet with the actuary of the company to discuss the parts of the annual statement and the annual return filed under section 665 prepared by the actuary.
  - Meet with the chief internal auditor of the company, or the officer or employee of the company acting in a similar capacity, and the management of the company, to discuss the effectiveness of the internal control procedures established for the company.