

**EXAM 6 – CANADA, SPRING 2014**

8. (1 point)

The Property and Casualty Insurance Compensation Corporation (PACICC) was established to protect policyholders and claimants in the event of an insurer insolvency.

Given the following information:

- Total amount advanced by PACICC in Ontario: \$3,000,000
- Total amount recovered by PACICC from insolvent insurer and third parties in Ontario: \$1,000,000
- Total PACICC assessment in Alberta: \$300,000,000
- A and B are the only insurers with direct written premium in Ontario.
- C and D are the only insurers with direct written premium in Alberta.

<b>Insurer</b>	<b>Jurisdiction</b>	<b>Direct Written Premium (\$)</b>
A	Ontario	\$325,000,000
B	Ontario	\$175,000,000
C	Alberta	\$500,000,000
D	Alberta	\$50,000,000

Determine the amount of the PACICC assessment for which insurers A and C are responsible.

## SAMPLE ANSWERS AND EXAMINER'S REPORT

<b>QUESTION 8</b>	
<b>TOTAL POINT VALUE: 1</b>	<b>LEARNING OBJECTIVE: B2</b>
<b>SAMPLE ANSWERS</b>	
<p>A: total assessment = <math>3M - 1M = 2M</math></p> <p>So A assessment = <math>2M \times \left( \frac{325M}{325M + 175M} \right)</math></p> <p>which is less than <math>1.5\% \times 325M = 4.875M</math></p> <p>C: = <math>\left( \frac{500M}{500M + 50M} \right) \times 300M = 272M</math></p> <p>Since <math>272M &gt;</math> the max limit <math>1.5\% \times 500M = 7.5M</math></p> <p>So <math>C = 7.5M</math></p>	
<b>EXAMINER'S REPORT</b>	
<p>Most candidates received full credit on this question.</p> <p>In order to determine the assessment for each company the candidate needed to understand and apply the assessment cap.</p> <p>The most common mistake made was forgetting that a cap applies to the assessment. A portion of the candidates did not remember the specific percentage of the cap.</p>	