

EXAM 6 – CANADA, SPRING 2014

10. (1 point)

Describe the advantages and disadvantages of foreign participation in the Canadian insurance industry.

CONTINUED ON NEXT PAGE

SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 10	
TOTAL POINT VALUE: 1	LEARNING OBJECTIVE: B3
SAMPLE ANSWERS	
<p><u>Advantages</u></p> <p>Sample 1</p> <ul style="list-style-type: none"> - Increases competition which leads to more affordability - Increases innovation as new ideas are brought in to better serve customers <p>Sample 2</p> <ul style="list-style-type: none"> - More competition resulting in more availability of insurance - More competition allows premiums to be competitive, making them more affordable to customers <p>Sample 3</p> <ul style="list-style-type: none"> - Increase availability, more options and choice for customers - Canadian insurers will be treated favorably in the jurisdiction where foreign insurer principally operates (Minister of Finances requirement when licensing foreign insurer) <p>Sample 4</p> <ul style="list-style-type: none"> - Multinational companies have more international opportunity to diversify their portfolio. Well diversified company is less likely to be insolvent - Creates tax revenue for Canada <p><u>Disadvantages</u></p> <p>Sample 1</p> <ul style="list-style-type: none"> - Runs counter to goal of federal government to promote Canadian ownership - Harder to verify financial resources of parent <p>Sample 2</p> <ul style="list-style-type: none"> - Foreign parent failure is the main cause of Canadian insolvency - Domestic funds and profit are being transferred to foreign countries <p>Sample 3</p> <ul style="list-style-type: none"> - Retained profits are returned to parent company and are not kept in Canada - Take market share from domestic insurers 	
EXAMINER'S REPORT	
<p>Due to open ended nature of the question, most candidates were able to get at least partial points. In the advantages, some candidates simply stated increased competition without specifying the advantage this brings such as lower rates and increased availability; in such cases the answer wasn't accepted.</p>	