

EXAM 6 – CANADA, FALL 2014

3. (2 points)

a. (1 point)

Identify two approaches used by Financial Services Commission of Ontario (FSCO) to regulate automobile insurance. For each approach identified, specify the classes of vehicles covered.

b. (0.5 point)

An insurer proposes the following rate level changes to its private passenger automobile insurance business in Ontario.

Territory	Proposed Rate Level Change
1	-5%
2	0%
3	3%
4	-15%
Overall	-4%

Discuss whether the insurer would meet the conditions to use the simplified guidelines for filing these rates with FSCO.

c. (0.5 point)

Provide two reasons FSCO may refuse to approve an automobile insurance rate filing.

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EXAM 6C FALL 2014 SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION: 3

TOTAL POINT VALUE: 2

LEARNING OBJECTIVE(S): A2

SAMPLE/ACCEPTED ANSWERS:

Part a: 1 point

Prior approval for private passenger automobile

Prior approval or file and use for commercial and miscellaneous automobiles (also ok to say non-private passenger autos)

Part b: 0.5 point

We accepted either of the following two answers:

- Based on 2013 Simplified Filing Guidelines:
This would not be eligible for simplified filing, because territory 3 > 0% and territory 4 < -10%.
- Based on 2014 Simplified Filing Guidelines:
This would be eligible for simplified filing, because the increase < 5% and the decrease > -15%.

Part c: 0.5 point

Any two of the 3:

- The proposed risk classification system or rates are not just and reasonable in the circumstances
- The proposed risk classification system is not reasonably predictive of risk or does not distinguish between risks
- The proposed rates would impair the solvency of the applicant or are excessive in relation to the financial circumstances of the insurer
- Use prohibited rating variables, e.g., credit score
- Propose more than 55 territories
- Assumptions/methodologies cannot be justified
- No retirement discount offered

EXAMINER'S REPORT:

General Commentary

This question was generally well answered by the candidates.

EXAM 6C FALL 2014 SAMPLE ANSWERS AND EXAMINER'S REPORT

Part a

- Candidates are expected to have a general knowledge of Ontario rate filing guidelines.
- Most candidates received full marks.
- Candidates that loses points due to providing the wrong vehicle classes.

Part b

- Candidates are expected to know the conditions to use simplified filing.
- Most candidates failed to outline the requirement of overall and territorial rate change to use simplified filing.

Part c

- Candidates are expected to know why FSCO may refuse to approve an automobile insurance rate filing.
- Most candidates were able to identify two reasons that FSCO may refuse to approve an automobile insurance rate filing.
- Some candidates listed missing items in the filing, such as data, signature or exhibits, which did not receive credit.