

EXAM 6 – CANADA, SPRING 2015

13. (0.75 points)

An insurer has only one personal property policy and is covered by PACICC. Given the following calculate the reimbursement an insured will receive from PACICC and from the insurer in the event of insolvency:

Unearned premium	\$500
Claim	\$400,000
Deductible per claim	\$1,000
Distribution from insurer	\$350,000

CONTINUED ON NEXT PAGE

EXAM 6C SPRING 2015 SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 13	
TOTAL POINT VALUE: 0.75	LEARNING OBJECTIVE: B3
SAMPLE ANSWERS (BY PART, AS APPLICABLE)	
<ul style="list-style-type: none">• Sample Response #1 <p>PACICC Unearned Premium = $500 \times 0.7 = 350$ Unpaid claim = $400,000 - 350,000 = 50,000$ PACICC Unpaid Claim = $50,000 - 1,000 = 49,000$ Receive from insurer = $350,000$ Receive from PACICC = $49,000 + 350 = 49,350$</p> <ul style="list-style-type: none">• Sample Response #2 <p>Maximum payment for unpaid claims for personal property is $300,000$ PACICC payment for unpaid claims = $\min(400,000 - 1,000, 300,000) = 300,000$ The distribution from the insurer will be used to reimburse the PACICC, with the remainder going to the insured. (ie $350,000 - 300,000 - 350$) PACICC for UEP = $\min(700, 0.7 \times 500) = 350$ Therefore Payment from PACICC = $300,350$ Payment from insurer's disbursement = $49,650$</p>	
EXAMINER'S REPORT (BY PART, AS APPLICABLE)	
<p>Candidates scored very well on this question and most candidates received full credit. Candidates were expected to know the unearned premium calculation for PACICC payment, the PACICC payment limit, and apply this knowledge to the information provided in the question.</p> <p>Some candidates interpreted the "Distribution from insurer" as a payment that went directly to the insured, and some interpreted it to mean a payment that went directly to PACICC. Both approaches were given full credit.</p> <p>Common errors were:</p> <ul style="list-style-type: none">• Applying the deductible following the application of the limit• Errors in calculating the amount recoverable for unearned premium	