

**EXAM 6 – CANADA, SPRING 2016**

1. (2.5 points)

a. (1 point)

Identify four areas of concern with the financial soundness or solvency of insurance companies which federal legislation addresses.

b. (1 point)

Other than duty to disclose and contents of the insurance policy, identify four areas of the insurance contract that provincial legislation regulates.

c. (0.5 point)

Describe the requirements for foreign insurance companies to hold adequate assets in Canada under the Insurance Companies Act.

**CONTINUED ON NEXT PAGE**

## SAMPLE ANSWERS AND EXAMINER'S REPORT

<b>QUESTION 1</b>	
<b>TOTAL POINT VALUE: 2.5</b>	<b>LEARNING OBJECTIVE: A1</b>
<b>SAMPLE ANSWERS</b>	
<b>Part a: 1 point</b>	
<p>Sample answers</p> <ul style="list-style-type: none"> <li>• periodic filing of financial information</li> <li>• restrictions on types of investments insurers can make</li> <li>• conditions for entry into insurance business</li> <li>• other areas to protect policyholder interests</li> </ul>	
<b>Part b: 1 point</b>	
<p>Sample answers</p> <ul style="list-style-type: none"> <li>• premium payment</li> <li>• reinstatement</li> <li>• insurable interest</li> <li>• policy terms</li> </ul> <p>Other accepted answers</p> <ul style="list-style-type: none"> <li>• Contract taking effect</li> <li>• Incontestability</li> <li>• Designation of beneficiaries</li> <li>• Insured dealing with the contract</li> <li>• Wording of the contract</li> <li>• Claims settlement</li> <li>• Coverages</li> <li>• Agents licensing</li> <li>• Approval of rates</li> <li>• Statutory conditions</li> <li>• Policy conditions</li> <li>• Rating variables</li> <li>• Consumer protection</li> <li>• Marketing practices</li> </ul>	
<b>Part c: 0.5 point</b>	
<p>Sample answers</p> <ul style="list-style-type: none"> <li>• Must have asset vested in Canada and controlled by Chief Agent or Minister of Finance</li> <li>• Must have sufficient vested assets to cover liabilities both in Canada plus sufficient margin as determined by BAAT</li> </ul> <p>Another answer</p> <ul style="list-style-type: none"> <li>• Foreign companies need to vest in a Canadian trust at least \$5 Million</li> </ul>	

## SAMPLE ANSWERS AND EXAMINER'S REPORT

EXAMINER'S REPORT
<b>Part a</b>
<p>Candidates are expected to know the concern by the government. Candidates had average knowledge of this topic and mixed a few concepts together. Common mistakes include</p> <ul style="list-style-type: none"><li>• Listing types of risk</li><li>• Creation of rating bureaus</li><li>• Failing to mention that filing has to be periodic and about financial information</li><li>• Listing reasons for an insurer to exit a market</li><li>• Listing items irrelevant to the question</li></ul>
<b>Part b</b>
<p>Candidates are expected to know about insurance contracts. They did great on b. Credits were extended to a large list of possible answer. Most candidates that didn't get full credit just did not write enough items down.</p>
<b>Part c</b>
<p>Candidates are expected to know the requirements on the foreign branches. They had average knowledge of this particular notion. We were looking for something about vested asset and prescribed amount or anything close to that to get full credits.</p> <p>Some candidates mentioned requirement unrelated to holding adequate assets and no credit was given.</p>