

EXAM 6 – CANADA, FALL 2016

4. (3.25 points)

a. (2.25 points)

Describe one rate regulatory approach within each of the following systems and provide an example of how each approach is used in Canada, where applicable.

- i. active rate regulation
- ii. moderate rate regulation
- iii. competitive rating

b. (1 point)

Fully discuss the circumstances under which an insurer in Ontario could file automobile rates using the simplified guidelines.

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EXAM 6C FALL 2016 SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 4	
TOTAL POINT VALUE: 3.25	LEARNING OBJECTIVE(S): A2
SAMPLE ANSWERS	
Part a: 2.25 points	
<p>Sample responses for (i)</p> <ul style="list-style-type: none"> Government mandated: The government sets the rates for insureds and insurers are not allowed to deviate from the set rates. Examples: MB auto, SK auto, Alberta basic PPA, BC Basic Autoplan, QC BI. Prior approval: Rates must be filed before they can be used. Examples: Ontario auto, NB auto, NL auto (rate increases), NS auto <p>Sample responses for (ii)</p> <ul style="list-style-type: none"> Use and file: Rates must be filed within a certain number of days of implementation. Example: QC PD, BIPD outside of QC File and use: The insurer files a proposed rate with the regulatory authority. If after a certain defined period (ex: 40 days) the regulator has not objected to the rates, the rates can be implemented. Example: PEI auto, AB optional coverages, AB commercial auto, NB, NL if requesting decrease, ON commercial auto Flex rating: The insurer can implement rate changes within restrictions (+/- x% overall). If the rate change is outside of this range, it to prior approval. Example: Not used in Canada. <p>Sample responses for (iii)</p> <ul style="list-style-type: none"> Competitive Rating: Open competition where regulators do not intervene and allow market forces and competition to determine prices. Examples: MB auto optional coverages, SK auto optional coverages, BC auto optional coverages, Territories excess coverage. File only: The regulator only requires filing for statistic; the rates are not subject to approval. Example: Not used in Canada. 	
Part b: 1 point	
<ul style="list-style-type: none"> Rate change less equal 0% <p>And any 3 of the following:</p> <ul style="list-style-type: none"> Territorial change between X and X Other change between X and X No change to algorithm No new line of business written PPA filing No change rating structure Can change classification, discount, variables and rules Can add new discount already used in industry except UBI No increase greater than X to any consumer 	
EXAMINER'S REPORT	
Candidates were expected to demonstrate knowledge of different rate regulatory approaches used in Canada.	

EXAM 6C FALL 2016 SAMPLE ANSWERS AND EXAMINER'S REPORT

Part a

Candidates were expected to identify a rate regulatory approach, provide a brief explanation and provide an example of its use in Canada where applicable.

Common mistakes included:

- Not providing examples that match the rate regulatory approach
- Describing use and file instead of file and use
- Considering prior approval in the moderate rate regulation category

Part b

Candidates were expected to demonstrate understanding of the simplified guidelines, and in particular candidates were expected to know about the overall rate level change of less than or equal 0%. Candidates were not expected to memorize the specific percentages from the simplified guidelines (other than the 0% rate level change).

Requirements for simplified filing are not coherent throughout the syllabus, therefore credit was given for every possible historical answer. The graders were lenient on the percentages and numbers in the requirement except for the overall rate level change of less than or equal to 0%.

Common mistakes included:

- Overly brief discussion
- Mentioning that simplified guidelines apply to other lines of business
- Mentioning "no change to the territory definition"