3. (1.5 points)

   Fully explain whether or not each of the following statements is accurate.

   a. (0.5 point)

      Regulatory approval of premium rates under a File and Use system is faster than under a Prior Approval system.

   b. (0.5 point)

      Regulatory approval of premium rates under an Open Competition system is faster than under a Prior Approval system.

   c. (0.5 point)

      Regulatory approval of premium rates under a Use and File system is faster than under a File and Use system.

QUESTION 3	
TOTAL POINT VALUE: 1.5	**LEARNING OBJECTIVE(S): A2**
SAMPLE ANSWERS	

Part a: 0.5 point

Sample answers include the following:

- Approval is not needed under File and Use system, but regulator has the right to review / intervene the rates. Also expedited prior approval can obtain approval within 30 days. The statement is not accurate.
- True. Prior approval must be approved earlier and must contain more details than File and Use.
- It is not always true. File and Use has less documentation required. Both of them need to send rate for approval before they could use. File and Use in general get approval in 90 days.

Part b: 0.5 point

Sample answers include the following:

- No. It is wrong. Under open competition system there is no need for approval for premium rate; while prior approval system insurer has to send rate for approval before they could use.
- Given Open Competition does not require filing there is no wait time to change rates thus yes much faster than prior approval.

Part c: 0.5 point

Sample answers include the following:

- Inaccurate. File and use and use and file requires insurers to submit filing within set days before or after implementing rates. Independent of regulatory approval time.
- Accurate, since insurer can use rates now and file them within x numbers vs has to wait x number of days after filing.

EXAMINER'S REPORT

Candidates were expected to demonstrate knowledge of different rate regulation systems.

For each of a, b and c:

Candidates were expected to articulate an argument where they demonstrated a basic understanding of the mechanism behind rate approval under the two rate regulation systems in the question.

The most common error was providing answers that pertained to the incorrect rate regulation system for the particular question.