

**EXAM 6 – CANADA, SPRING 2018**

8. (2 points)

a. (0.75 point)

Identify three purposes of the Growing Forward 2 Business Risk Management programs.

b. (1 point)

Briefly describe four key elements of the Canada Production Insurance Regulations.

c. (0.25 point)

Briefly describe the role private insurers can play in agriculture production insurance in Canada.

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**EXAM 6C SPRING 2018 SAMPLE ANSWERS AND EXAMINER'S REPORT**

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| <b>QUESTION 8</b>  |                                      |
| <b>TOTAL POINT VALUE: 2</b>  | <b>LEARNING OBJECTIVE(S): B1, B2</b> |
| <b>SAMPLE ANSWERS</b>  |                                      |
| <b>Part a: 0.75 point</b>  |                                      |
| <u>Sample answers (any three of the following)</u>   |                                      |
| <ul style="list-style-type: none"> <li>• Support innovation and R&amp;D in agricultural industry</li> <li>• Foster competitiveness</li> <li>• Enhance market development</li> <li>• Ensure sustainable growth</li> <li>• Protect producers from loss of production</li> <li>• Protect producers when there is a decline in market prices, leading to a reduction in income</li> <li>• Build an individual investment fund to mitigate small income losses</li> <li>• Protect producers against natural disaster</li> <li>• Provide loans to producers with low interest rate</li> <li>• Protect against decrease in livestock value</li> <li>• Ensure availability and affordability of agriculture insurance to producers</li> <li>• Provide risk mitigation to promote industry stability</li> </ul> |                                      |
| <b>Part b: 1 point</b>   |                                      |
| <u>Sample 1</u>  |                                      |
| <ul style="list-style-type: none"> <li>• The maximum coverage is 90% of the probable yield</li> <li>• Must submit probable yield tests to determine there is no over-insurance</li> <li>• Premium rates must be actuarially sound and include a self-sustainability load</li> <li>• Obtain actuarial certifications on self-sustainability load, probable yield methodology and premium methodology</li> </ul>   |                                      |
| <u>Sample 2</u>  |                                      |
| <ul style="list-style-type: none"> <li>• Minimum of 10% deductible</li> <li>• Rates must be actuarially sound</li> <li>• Probable yield must be the result of demonstrable historical yield</li> <li>• Must include actuarial certifications set by AAFC</li> </ul>  |                                      |
| <u>Sample 3</u>  |                                      |
| <ul style="list-style-type: none"> <li>• Cover 90% or less probable yield</li> <li>• Rates must include a self- sustainability load and uncertainty margin</li> <li>• Probable yield needs to reflect the accurate long term average yield of the area</li> <li>• Methods, assumptions and self-sustainability are actuarially certified</li> </ul>  |                                      |
| <b>Part c: 0.25 point</b>  |                                      |
| <u>Sample answers (any one of the following)</u>   |                                      |
| <ul style="list-style-type: none"> <li>• Provide coverages for perils not covered by the production insurance, such as fire</li> <li>• Provide reinsurance</li> <li>• Provide optional coverages</li> </ul>  |                                      |

## EXAM 6C SPRING 2018 SAMPLE ANSWERS AND EXAMINER'S REPORT

| <b>EXAMINER'S REPORT</b>  |
|---|
| <p>Candidates were expected to demonstrate an understanding of the purpose of the Growing Forward 2 Business Risk Management programs, the key elements concerning Canada Production Insurance regulations and the role of private insurer.</p>   |
| <p><b>Part a</b></p> <p>Candidates were expected to demonstrate an understanding on the purpose of the Growing Forward 2 Business Risk Management programs.</p> <p>There were no common errors for this section.</p>  |
| <p><b>Part b</b></p> <p>Candidates were expected to briefly describe the key elements of Canada Production Insurance regulations.</p> <p>Common errors included:</p> <ul style="list-style-type: none"><li>• Describing the various risk management programs under GF2 rather than the regulations on production insurance.</li><li>• Providing an answer without enough supporting detail. For example, stating that the production insurance program should be self-sustainable without referencing the elements required to achieve self-sustainability.</li></ul> |
| <p><b>Part c</b></p> <p>Candidates were expected to describe the role of private insurer in production insurance programs.</p> <p>There were no common errors for this section.</p>   |