

EXAM 6 – CANADA, SPRING 2018

10. (2.25 points)

a. (0.5 point)

Identify two reasons for government participation in insurance.

b. (0.25 point)

Briefly describe a reason that the cost savings claimed for government insurance programs might be overstated.

c. (1.5 points)

Identify three evaluation criteria for government insurance programs and evaluate the performance of the Workers' Compensation program in Canada based on these criteria.

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

QUESTION 10	
TOTAL POINT VALUE: 2.25 points	LEARNING OBJECTIVE(S): B1, B3
SAMPLE ANSWERS	
Part a: 0.5 point	
<p><u>Sample 1</u></p> <ul style="list-style-type: none"> • Fill a need unmet by private insurance: usually due to availability and affordability because the government can subsidize losses through taxes • Efficiency: lower costs since no commissions and no profit <p><u>Sample 2</u></p> <ul style="list-style-type: none"> • Compulsory insurance coverage • Convenience 	
Part b: 0.25 point	
<p><u>Sample 1</u></p> <p>Since the government may rely on other departments for certain tasks (e.g. claim handling), the cost saving may be overstated (other departments assume costs).</p> <p><u>Sample 2</u></p> <p>Other government departments will take on duties that would have been performed by the insurers. Expenses may be overlooked if bundled into the expenses of another government department.</p>	
Part c: 1.5 point	
<p><u>Sample 1</u></p> <ul style="list-style-type: none"> • Is it necessary because it provides a social purpose that can only be adhered through the government? Yes, WC is crucial to the population in terms of rehabilitation, providing income replacement and paying for medical costs. It is important to have the well-being of the workers as the main emphasis and not profit (i.e. if it was private). • Is it accepted by the public? Yes, since the government is more efficient (no commission or profit) it will reduce premium costs. Also they do not have to worry about profit, private companies only think about profit. • Is it social welfare or insurance? It is insurance since employers pay premiums (not only if there is a loss), and only individuals with losses are indemnified. (not based on need, based on loss) <p><u>Sample 2</u></p> <ul style="list-style-type: none"> • Is the government provision of insurance necessary? Yes, it provides immediate assistance to injured workers and relieve the congestion in Court and burden on Court. • Is the program accepted by public? Yes, injured workers are compensated for their injuries and employers are exempted from being sued for negligence, so both are happy. • Is it insurance or social welfare? Insurance, because the program is funded by premium contribution, not general revenue (tax). 	

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

EXAMINER'S REPORT
Candidates were asked to describe the purpose of specific government and insurance industry programs and evaluate the effectiveness of the Workers' Compensation program.
Part a
Candidates were expected to understand why the government participates in insurance. There were no common errors on this part.
Part b
Candidates were expected to understand why government programs may not be cost-effective. A common error included: <ul style="list-style-type: none">• Stating that government has less experience or less resources to have lower expense/cost compared to private insurers.
Part c
Candidates were expected to identify the three evaluation criteria for government insurance programs and evaluate whether the WC program meets those criteria. Common errors included: <ul style="list-style-type: none">• Identifying the same criteria twice, for example:<ul style="list-style-type: none">○ "Necessary" and "achieve a social purpose"○ "Efficient" and "accepted by the public"• Correctly identifying the criteria but not providing an adequate evaluation