

1. (2 points)

a. (0.75 point)

Identify three objectives of the Insurance Bureau of Canada.

b. (1 point)

Contrast the following two forms of insurance regulation:

- i. Guidelines
- ii. Legislation

c. (0.25 point)

Briefly describe how federal legislation protects Canadian insureds of foreign insurance companies.

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<b>QUESTION 1</b>	
<b>TOTAL POINT VALUE: 2</b>	<b>LEARNING OBJECTIVE(S): A1</b>
<b>SAMPLE ANSWERS</b>	
<b>Part a: 0.75 point</b>	
<p><u>Sample</u></p> <ul style="list-style-type: none"> <li>• Study legislation</li> <li>• Engage in market research</li> <li>• Discuss general insurance</li> </ul> <p><u>Alternate answers</u></p> <ul style="list-style-type: none"> <li>• Raise public awareness and understanding of P&amp;C insurance and the risks</li> <li>• Collect &amp; analyze statistical / actuarial</li> </ul>	
<b>Part b: 1 point</b>	
<p><u>Sample</u></p> <ul style="list-style-type: none"> <li>• Guidelines are more flexible &amp; adaptable than legislation</li> <li>• Changes to legislation must go through the senate, house of commons and the royal approval, while guidelines don't need to go through these steps</li> </ul> <p><u>Alternate answers</u></p> <ul style="list-style-type: none"> <li>• Guidelines are interpreted rules on how things should be done</li> <li>• Legislation are hard rules on how to do things &amp; not up for interpretation</li> <li>• Guidelines are preferred over legislation as they are more flexible, don't need any regulatory approval &amp; less likely to be misinterpreted in court</li> <li>• Guidelines are less obtrusive</li> </ul>	
<b>Part c: 0.25 point</b>	
<p><u>Sample 1</u></p> <ul style="list-style-type: none"> <li>• Forces minimum amount of assets held in Canada for recovery in insolvency</li> </ul>	

Sample 2

- Foreign insurer has to vest assets > 5 million in Canadian fund subject to control of minister of finance

**EXAMINER'S REPORT**

Candidates were expected to understand the role of the Insurance Bureau of Canada, understand the difference between legislation and guidelines, and know how federal legislation protects Canadian insureds of foreign insurance companies.

**Part a**

Candidates were expected to understand the objectives of the Insurance Bureau of Canada.

Common errors included:

- Answering along the lines of affordability/availability and rate approval

**Part b**

Candidates were expected to understand the difference between legislation and guidelines.

Common errors included:

- Failing to contrast or explaining why a contrast exists, for example:
  - Stating "guidelines need disclosure" without commenting on legislation
  - Stating "legislation is interpreted" without commenting on guidelines

**Part c**

Candidates were expected know how federal legislation protects Canadian insureds of foreign insurance companies.

Common errors included:

- Not relating the answer to assets held in Canada, for example:
  - Being licensed in Canada