

10. (2.25 points)

a. (0.75 point)

Identify three criteria used to evaluate government insurance programs.

b. (1.5 points)

Evaluate the performance for each of the following programs based on the criteria identified in part a. above.

- i. PACICC
- ii. United States' National Flood Insurance Program

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QUESTION 10	
TOTAL POINT VALUE: 2.25	LEARNING OBJECTIVE(S): B2-B3
SAMPLE ANSWERS	
Part a: 0.75 point	
<p><u>Sample</u></p> <ul style="list-style-type: none"> • Insurance or welfare • Necessary • Efficient 	
Part b: 1.5 points	
<p><u>Sample</u></p> <p>PACICC:</p> <ol style="list-style-type: none"> 1. Insurance → Yes (sort of) members pay assessment fees 2. Necessary → Yes. Helps policyholders recoup some money after the insurer has become insolvent. 3. Efficient → Yes. Process already in place, self-sustainable OSFI requires insurers to have MCT > 150% <p>US Flood:</p> <ol style="list-style-type: none"> 1. Insurance → Yes, people pay premiums before loss, and only those that incur losses are indemnified. 2. Necessary → Yes, flood insurance is a major concern due to changing weather and other conditions. Private coverage not enough therefore National Flood Ins. Program necessary to fill needs. 3. Efficient → Yes, as government programs are already undertaking some of the work in other departments e.g. property valuation etc. reduces cost, no commission, lower cost. <p><u>Alternate solutions</u></p> <p>Arguments could be made on both sides of each evaluation criteria.</p> <p>Sample solutions included:</p> <p>PACICC:</p> <ul style="list-style-type: none"> • Welfare since policyholder don't pay premium 	

- Welfare as could recover full amount if covered by private insurance instead of limited amount

US Flood:

- Welfare as premiums are subsidized by government
- Unnecessary since could be covered by private insurer
- Inefficient as public acceptance is low as flood insurance increases debt and is run at a deficit

EXAMINER'S REPORT

Candidates were expected to demonstrate knowledge of the government insurance program evaluation criteria.

Part a

Candidates were expected to correctly identify the evaluation criteria of a government program.

A common error was providing a common insurance concept as an answer instead of the required evaluation criteria such as:

- Consumer protection
- Affordability

Part b

Candidates were expected to correctly evaluate each program while providing an argument for each of their evaluation criteria. An argument could be made for each criteria in either a positive or negative light.

A common error was that no argument is provided other than only stating if the insurance plan addressed the criteria quoted in part a.