

**EXAM 6 – CANADA, FALL 2019**

26. (1.25 points)

a. (0.5 point)

Identify an example of Events Not in Data (ENID) for each of the following:

- i. With a negative (unfavourable) outcome for a property and casualty insurance company
- ii. With a positive (favourable) outcome for a property and casualty insurance company

b. (0.75 point)

Briefly describe three reasons it might be useful to try to identify potential ENID, even if it is not a necessary step to calculate the ENID loading.

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## SAMPLE ANSWERS AND EXAMINER'S REPORT

<b>QUESTION 26</b>	
<b>TOTAL POINT VALUE: 1.25</b>	<b>LEARNING OBJECTIVE(S): C2</b>
<b>SAMPLE ANSWERS</b>	
<b>Part a: 0.5 point</b>	
<u>Sample 1</u> i) A catastrophic event in the area that the insurer has a high volume ii) A court ruling to introduce cap on non-pecuniary damage for minor injury	
<u>Sample 2</u> i) Unfavourable court decision ii) Unexpected withdrawal of a big competitor	
<u>Sample 3</u> i) Catastrophes ii) Court awards	
<b>Part b: 0.75 point</b>	
<u>Sample 1</u> - An insurer identifying ENID likely viewed favourably by regulator - “Blue Sky Thinking” in the process will give participants a different perspective/view of the company and is likely to provide more insight - Provide a basis for the frequency-severity approach	
<u>Sample 2</u> - Viewed favourably by regulators - Use as a basis in frequency/severity approach to calculate load in ENID - Frequency/severity method could be used as check for other methods such as truncated distribution method.	
<b>EXAMINER'S REPORT</b>	
Candidates were expected to understand the concept of an event not in data (ENID) including identifying typical events and describing the benefits of the identification process.	
<b>Part a</b>	
Candidates were expected to provide typical examples of ENIDs.  There were no common errors on this part.	
<b>Part b</b>	
Candidates were expected to describe the benefits of the ENID identification process.  A common error included: <ul style="list-style-type: none"><li>Equating the process of calculating the ENID loading to that of the DCAT process and thus, providing the advantages of DCAT instead of the benefits of ENID identification.</li></ul>	