MOMETRIX
SMARTER PREP. BETTER RESULTS.

PRACTICE QUESTIONS

Society of Actuaries (SOA)

G201C

Valuation and Regulation, Canada Exam

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

WEB www.mometrix.net

SUPPORT support@mometrix.net

Before you begin

What this is

9 practice questions for Society of Actuaries (SOA) `G201C`, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, `G201C`
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1 SINGLE CHOICE

Under Canadian insurance legislation, the statutory valuation of policy liabilities must be performed on which basis?

- A Fair market value using current market prices for all assets
- B **A going-concern basis using assumptions approved by the Appointed Actuary**
- C A liquidation basis assuming the insurer is no longer a going concern
- D Book value plus an adjustment equal to the insurer's retained earnings

ANSWER B

WHY Canadian statutory valuation is performed on a going-concern basis (active basis), with the Appointed Actuary responsible for setting and certifying the actuarial assumptions used. Fair market value applies to certain asset valuations but not the policy liability basis; liquidation (run-off) is used only in specific circumstances such as for a company in wind-up.

QUESTION 2 SINGLE CHOICE

Which of the following is a primary responsibility of the Appointed Actuary under Canadian insurance regulation?

- A Auditing the company's annual financial statements
- B **Preparing and signing the actuarial report on policy liabilities**
- C Setting the company's premium rates for new products
- D Approving the company's investment policy

ANSWER B

WHY The Appointed Actuary is required to value the policy liabilities and report on them, including preparing and signing the actuarial report and any related communications with the regulator. Auditing is the role of the external auditor, and premium rate-setting and investment policy are management functions, not responsibilities of the Appointed Actuary.

QUESTION 3 SINGLE CHOICE

For a Canadian property and casualty insurer, the Minimum Capital Test (MCT) ratio compares available capital to required capital. Which range of MCT ratios is generally considered to indicate a financially strong company?

- A Less than 100%
- B Exactly 100%
- C Between 100% and 150%
- **D Between 150% and 200% or higher**

ANSWER D

WHY An MCT ratio above 150% is generally viewed as a strong financial position by rating agencies and regulators, while ratios between 100% and 150% indicate adequate capitalization. A ratio below 100% means the insurer does not meet the minimum capital requirement.

QUESTION 4 SINGLE CHOICE

Under the Life Insurance Capital Adequacy Test (LICAT), which of the following components is used in calculating the Total Ratio?

- A Assets at amortized cost only
- **B Available capital plus the Branch Required Surplus**
- C Policy liabilities net of reinsurance recoverables
- D Net premium income for the most recent fiscal year

ANSWER B

WHY LICAT defines the Total Ratio using Base Capital (Available Capital plus Branch Required Surplus, if any) divided by the Base Solvency Capital Requirement. Assets at amortized cost and net premium income are not used directly as primary ratio inputs in the LICAT ratio formula.

QUESTION 5 SINGLE CHOICE

Why does Canadian regulation impose quantitative limits on an insurer's investments in certain asset classes (e.g., equity, real estate, mortgages)?

- A To maximize the insurer's investment return
- B To ensure the insurer's investments are socially responsible
- **C To limit risk concentrations that could impair the insurer's ability to meet policy liabilities**
- D To guarantee that all policyholders receive identical returns

ANSWER C

WHY Prescribed investment limits exist to control risk concentrations and protect the insurer's ability to meet its obligations to policyholders and beneficiaries. They are not intended to maximize return, enforce ESG criteria, or guarantee uniform policyholder returns.

QUESTION 6 SINGLE CHOICE

When an insurer cedes business under a reinsurance treaty, the policy liabilities reported on the balance sheet should reflect which of the following?

- A Gross policy liabilities with no adjustment for reinsurance
- **B Gross policy liabilities reduced by reinsurance recoverables, with an allowance for collectibility**
- C Only the reinsurance recoverables, with no liability for the direct business
- D Net policy liabilities plus the full premium ceded

ANSWER B

WHY Statutory policy liabilities are reported net of reinsurance ceded, including a provision for doubtful recoverables to reflect credit risk on the reinsurer. Gross liabilities with no adjustment or omitting the direct liability are not permitted under Canadian valuation standards.

QUESTION 7 SINGLE CHOICE

Under the Canadian Asset Liability Method (CALM) used for life insurance policy liabilities, which assets are used to determine the valuation interest rates?

- A Only equities held by the insurer
- B Only assets supporting the participating account at amortized cost
- C **The assets actually supporting the liabilities, using market values or prescribed book values as applicable**
- D A hypothetical government bond portfolio independent of the insurer's actual holdings

ANSWER C

WHY CALM derives the valuation interest rates from the actual assets supporting the liabilities (or their supporting group), using market values where available and prescribed book values otherwise. Hypothetical or unrelated asset portfolios are not used.

QUESTION 8 SINGLE CHOICE

Dynamic Capital Adequacy Testing (DCAT) requires an insurer to demonstrate financial adequacy under various scenarios. The Appointed Actuary is required to do which of the following with respect to DCAT?

- A Perform DCAT only when directed by the regulator
- B **Perform DCAT at least annually and report the results**
- C Perform DCAT only at the request of senior management
- D Delegate DCAT entirely to the external auditor

ANSWER B

WHY DCAT is required to be performed at least annually by (or under the supervision of) the Appointed Actuary, with results reported to senior management and to the regulator as part of the actuarial reporting cycle. It is not performed only on demand.

QUESTION 9 MULTIPLE CHOICE

Which of the following bodies are directly involved in the supervision or oversight of federally regulated Canadian life and property and casualty insurers? (Choose two.)

- **A** **OSFI (Office of the Superintendent of Financial Institutions)**
- B Bank of Canada
- **C** **AMF (Autorité des marchés financiers)**
- D Federal Deposit Insurance Corporation

ANSWER **A · C**

WHY OSFI supervises federally regulated insurers, while the AMF is the principal regulator for insurers operating in Quebec and plays a key role in the cooperative (pas de régime fédéral exclusif) supervision model. The Bank of Canada focuses on monetary policy, and the FDIC is a U.S. institution with no jurisdiction over Canadian insurers.