

3. (3.25 points)

a. (1 point)

Briefly describe four factors to consider when assessing the effectiveness of an insurance regulatory framework.

b. (0.75 point)

Briefly describe each of the following reasons for regulatory failure:

- i. Regulatory fallibility
- ii. Regulatory forbearance
- iii. Regulatory capture

c. (1.5 points)

Briefly describe three strengths of the U.S. insurance regulatory system, and briefly describe how each addresses a reason for regulatory failure listed in part b. above.