

EXAM 6 – UNITED STATES, SPRING 2016

12. (4 points)

The following are excerpts from an insurance company's 2013 Schedule P (all figures are in thousands of dollars):

Part 2I – Special Property  
Incurred Net Losses and Defense and Cost Containment Expenses  
(DCC) Reported at Year End

Accident Year	2011	2012	2013
Prior	39,790	37,900	32,730
2012	XXX	34,000	31,620
2013	XXX	XXX	36,790

Part 3I – Special Property  
Cumulative Paid Net Losses and DCC Reported at Year End

Accident Year	2011	2012	2013
Prior	000	19,670	24,720
2012	XXX	16,680	25,830
2013	XXX	XXX	18,660

Part 4I – Special Property  
Bulk and IBNR Reserves on Net Losses and DCC Reported at Year  
End

Accident Year	2011	2012	2013
Prior	11,060	5,730	2,350
2012	XXX	5,670	960
2013	XXX	XXX	3,650

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12. (continued)

The following 2014 paid and case reserve information is provided for Special Property (all figures are in thousands of dollars):

Accident	Calendar Year 2014 Net Paid <u>Year</u> <u>Loss &amp; DCC</u>	Net Bulk & IBNR on Loss & DCC <u>as of 12/31/14</u>	Net Case Outstanding Reserves for Loss & DCC <u>as of 12/31/14</u>
Prior	3,210	2,930	5,430
2013	11,700	1,830	5,560
2014	23,550	6,720	16,200

Construct the Schedule P - Parts 2I and 3I that would appear in the company's 2014 Annual Statement.

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## SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 12

TOTAL POINT VALUE: 4

LEARNING OBJECTIVE: C1

SAMPLE ANSWERS

Part 3I

AY	2012	2013	2014
Prior	-	14,200	17,410
2013	xxx	18,660	30,360
2014	xxx	xxx	23,550

Prior AYs @ 2012:  $0 = 19,670 - 19,670 + 16,680 - 16,680$

Prior AYs @ 2013:  $14,200 = 24,720 - 19,670 + 25,030 - 16,680$

Prior AYs @ 2014:  $17,410 = 14,200 + 3,210$

AY 2013 @ 2013: 18,660 (given in 2013 part 3I)

AY 2013 @ 2014:  $30,360 = 18,660 + 11,700$

AY 2014 @ 2014: 23,550 (given in 2014 paid and case reserve information)

Part 2I

AY	2012	2013	2014
Prior	35,550	28,000	25,770
2013	xxx	36,790	37,750
2014	xxx	xxx	46,470

Prior AYs @ 2012:  $35,550 = 0 + 37,900 - 19,670 + 34,000 - 16,680$

Prior AYs @ 2013:  $28,000 = 14,200 + 32,730 - 24,720 + 31,620 - 25,830$

Prior AYs @ 2014:  $25,770 = 17,410 + 2,930 + 5,430$

AY 2013 @ 2013: 36,790 (given in 2013 part 2I)

AY 2013 @ 2014:  $37,750 = 30,360 + 1,830 + 5,560$

AY 2014 @ 2014:  $46,470 = 23,550 + 6,720 + 16,200$

EXAMINER’S REPORT

This question tested the candidate ability to calculate two items of Schedule P. Common mistakes included:

• Not subtracting the prior cumulative paid row by the 2012 evaluation in part 3I (prior as of 2012 should be set to 0)

• Not including the net bulk & IBNR on Loss & DCC as of 12/31/14 in the 2014 evaluation of part 2I

## **SAMPLE ANSWERS AND EXAMINER'S REPORT**

- Only including the incremental portion in the 2014 evaluation in part 3I
- Missing either the case outstanding or the bulk & IBNR in the calculation of the prior row for part 2I