

15. (3.75 points)

An insurance company has a 100% quota share treaty with an authorized reinsurance company. The reinsurance company has provided a \$100,000 letter of credit held by the insurance company.

- Recoverables on known case loss & LAE reserves: \$800,000
- Recoverables on loss & LAE IBNR: \$750,000

The following table includes all 2018 reinsurance recoverables as of December 31, 2018:

Claim Size	Accident Date	Payment Date (insurer to claimant)	Payment Date (reinsurer to insurer)
\$2,000,000	January 2, 2018	February 5, 2018	in dispute
\$200,000	March 9, 2018	April 5, 2018	unpaid
\$75,000	June 30, 2018	August 5, 2018	November 15, 2018
\$25,000	July 20, 2018	August 5, 2018	unpaid
\$50,000	September 1, 2018	October 5, 2018	November 15, 2018
\$80,000	October 3, 2018	November 5, 2018	unpaid
\$300,000	October 20, 2018	November 5, 2018	unpaid
\$40,000	November 7, 2018	December 5, 2018	in dispute
\$800,000	November 29, 2018	unpaid	unpaid

Assume full claim amount is transacted on “Payment Date”, and reinsurance payments are considered due on “Payment Date (insurer to claimant)”.

a. (2.25 points)

Calculate the provision for reinsurance.

b. (0.5 point)

Calculate the provision for reinsurance assuming the \$100,000 letter of credit was instead collateral held in a trust with the reinsurer.

c. (1 point)

Identify one asset and three liability items on an insurance company’s balance sheet that come directly from Schedule F.