

EXAM 6 – UNITED STATES, FALL 2019

19. (2 points)

Given the following RBC information for an insurer as of December 31, 2018 (all dollar figures are in millions):

	Homeowners (HO)	Private Passenger Automobile Liability (PPAL)	Other Liability (OL)	Total
Loss & LAE Reserves		\$33.25	\$14.25	
RBC Charge (R4)		\$3.80	\$4.70	\$12.00

- Loss Concentration Factor (LCF) is 0.85
- PPAL adjustment for investment income is 0.94
- Industry Loss and LAE RBC percentage for HO is 0.2
- The HO line makes up the largest portion of reserve dollars for the insurer
- HO, PPAL and OL are the only lines that the insurer writes
- The insurer has written the same lines of business and consistent premiums for the last five years
- The insurer does not use any reinsurance

a. (0.75 point)

Calculate the percentage of the R4 charge, before applying the LCF, that is attributable to the HO line of business.

b. (0.75 point)

Calculate the total amount of loss & LAE reserves for the insurer.

c. (0.5 point)

Assuming that the insurer begins writing Workers Compensation insurance, briefly describe two ways in which this change might impact R4.

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