

27. (2 points)

a. (0.5 point)

Describe the “10-10” rule used as a benchmark for assessing risk transfer.

b. (0.5 point)

Describe the Expected Reinsurer Deficit (ERD) method for assessing risk transfer.

c. (0.5 point)

Describe one advantage of using the ERD method over the “10-10” rule for assessing risk transfer.

d. (0.5 point)

Identify whether the reinsurer’s expenses should be included in an ERD calculation, and briefly explain the rationale.