

**Reading:** Odomirok - Chapter 14  
**Model:** 2017.Fall #14  
**Problem Type:** restating balance sheet

(Schedule F - practice 01) a-Question

**Given**

|  |       |
|--|-------|
| <b>ceded</b> loss & LAE reserves (Schedule P, Part 1 Summ., Cols 14+16+18+20+22) | 1,260 |
| <b>ceded</b> unearned premium reserves (Schedule F, Part 3, Column 13)           | 170   |

Schedule F, Part 9 for year 2016 (figures in 000's)

|           | <b>Assets</b>                                       | <b>net of<br/>ceded</b> |
|-----------|---|-------------------------|
| 1         | cash & invested assets                              | 4,330                   |
| 2         | premiums & considerations                           | 430                     |
| 3         | reinsurance recoverables on loss & LAE payments     | 260                     |
| 4         | funds held by OR deposited with reinsured companies | 740                     |
| 5         | other assets  | 130                     |
| 6         | net recoverable from reinsurers                     | 90                      |
| <b>7</b>  | <b>TOTAL</b>  | <b>5,980</b>            |
|           | <b>Liabilities</b>                                  | <b>net of<br/>ceded</b> |
| 8         | losses & LAE  | 2,340                   |
| 9         | unearned premiums                                   | 560                     |
| 10        | advance premiums                                    | 40                      |
| 11        | dividends declared & unpaid                         | 350                     |
| 12        | ceded reinsurance premiums payable                  | 170                     |
| 13        | funds held by company under reinsurance treaties    | 430                     |
| 14        | provision for reinsurance                           | 390                     |
| 15        | <b>TOTAL LIABILITIES</b>                            | <b>4,280</b>            |
| 16        | <b>SURPLUS</b>                                      | <b>1,700</b>            |
| <b>17</b> | <b>TOTAL</b>  | <b>5,980</b>            |

**Find**

restate the balance sheet to a gross of ceded basis

**Note:** The numeric labels for these items in the table **DO NOT** correspond to the labels in the annual statement. (See below table for more information)

|    | Assets   | net of ceded | Adj.  | gross of ceded |                          |
|----|--|--------------|-------|----------------|--------------------------|
| 1  | cash & invested assets   | 4,330        |       | 4,330          |                          |
| 2  | premiums & considerations                                      | 430          |       | 430            |                          |
| 3  | reinsurance recoverables on loss & LAE payments                | 260          | -260  | 0              | <== reversal             |
| 4  | funds held by OR deposited with reinsured companies            | 740          |       | 740            |                          |
| 5  | other assets   | 130          |       | 130            |                          |
| 6  | net recoverable from reinsurers                                | 90           | 700   | 790            | <== balances liabilities |
| 7  | <b>TOTAL ASSETS</b> (net & gross totals may be different)      | <b>5,980</b> |       | <b>6,420</b>   |                          |
|    | Liabilities  | net of ceded | Adj.  | gross of ceded |                          |
| 8  | losses & LAE   | 2,340        | 1,260 | 3,600          | <== Sched P ceded        |
| 9  | unearned premiums  | 560          | 170   | 730            | <== Sched F ceded        |
| 10 | advance premiums   | 40           |       | 40             |                          |
| 11 | dividends declared & unpaid                                    | 350          |       | 350            |                          |
| 12 | ceded reinsurance premiums payable                             | 170          | -170  | 0              | <== reversal             |
| 13 | funds held by company under reinsurance treaties               | 430          | -430  | 0              | <== reversal             |
| 14 | provision for reinsurance                                      | 390          | -390  | 0              | <== reversal             |
| 15 | <b>TOTAL LIABILITIES</b> (net & gross totals may be different) | <b>4,280</b> |       | <b>4,720</b>   |                          |
| 16 | <b>SURPLUS</b> (no change to surplus)                          | <b>1,700</b> |       | <b>1,700</b>   |                          |
| 17 | <b>TOTAL ASSETS</b> (from above)                               | <b>5,980</b> |       | <b>6,420</b>   |                          |

**gross of ceded = (net of ceded) + (adjustment)**

items 3,12,13,14: (corresponds to Schedule F, Part 8, lines 3,14,15,17)

- simple reversals of the given ceded amounts.

items 8,9: (corresponds to Schedule F, Part 8, lines 9,11)

- add the ceded amounts from Schedules P & F back into the corresponding net amounts

item 6: (corresponds to Schedule F, Part 8, line 6)

- this is a balancing item that forces the total asset adjustments to equal the total liability adjustments

item 6 adjustment

|   |                               |   |   |
|---|-------------------------------|---|---|
| = | (total liability adjustments) | - | (adjustment to reinsurance recoverables on loss & LAE payments) |
| = | 440                           | - | -260  |
| = | 700                           |   |   |