

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

(Schedule F - practice 01) a-Question

Given

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

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

	Assets	net of ceded
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	0
7	TOTAL	5,890
	Liabilities	net of ceded
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	TOTAL LIABILITIES	4,280
16	SURPLUS	1,610
17	TOTAL	5,890

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	0	700	700	<== balances liabilities
7	TOTAL ASSETS (net & gross totals may be different)	5,890		6,330	

	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	TOTAL LIABILITIES (net & gross totals may be different)	4,280		4,720	
16	SURPLUS (no change to surplus)	1,610		1,610	
17	TOTAL ASSETS (from above)	5,890		6,330	

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		