

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

(Schedule F - 2017.Fall Q14) a-Question

Given

ceded loss & LAE reserves (Schedule P, Part 1 Summ., Cols 14+16+18+20+22)	250
ceded unearned premium reserves (Schedule F, Part 3, Column 13)	40

Schedule F, Part 9 for year 2016 (figures in 000's) **This is now Part 6**

	Assets	net of ceded
1	cash & invested assets	900
2	premiums & considerations	80
3	reinsurance recoverables on loss & LAE payments	50
4	funds held by OR deposited with reinsured companies	150
5	other assets	20
6	net recoverable from reinsurers	0
7	TOTAL	1,200
	Liabilities	net of ceded
8	losses & LAE	500
9	unearned premiums	100
10	advance premiums	10
11	dividends declared & unpaid	80
12	ceded reinsurance premiums payable	30
13	funds held by company under reinsurance treaties	100
14	provision for reinsurance	60
15	TOTAL LIABILITIES	880
16	SURPLUS	320
17	TOTAL	1,200

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	900		900	
2	premiums & considerations	80		80	
3	reinsurance recoverables on loss & LAE payments	50	-50	0	<== reversal
4	funds held by OR deposited with reinsured companies	150		150	
5	other assets	20		20	
6	net recoverable from reinsurers	0	150	150	<== balances liabilities
7	TOTAL ASSETS (net & gross totals may be different)	1,200		1,300	

	Liabilities	net of ceded	Adj.	gross of ceded	
8	losses & LAE	500	250	750	<== Sched P ceded
9	unearned premiums	100	40	140	<== Sched F ceded
10	advance premiums	10		10	
11	dividends declared & unpaid	80		80	
12	ceded reinsurance premiums payable	30	-30	0	<== reversal
13	funds held by company under reinsurance treaties	100	-100	0	<== reversal
14	provision for reinsurance	60	-60	0	<== reversal
15	TOTAL LIABILITIES (net & gross totals may be different)	880		980	
16	SURPLUS (no change to surplus)	320		320	
17	TOTAL ASSETS (from above)	1,200		1,300	

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

items 3,12,13,14:

- simple reversals of the given ceded amounts.

items 8,9:

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

item 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)
=	100	-	-50
=	150		