Odomirok - Chapter 15 (Schedule P (Model - 2016.Spring Q12)) 01a-Question

Model: 2016.Spring #12
Problem Type: Schedule P

Given Part 2x

Reading:

Incurred Net Loss & DCC @ Year-End						
AY	CY-2	CY-1	CY			
prior	39,790	37,900	32,730			
AY-1		34,000	31,620			
ΔV			36 790			

In the exam problem, AY = CY = 2013.

Part 3x

Cumulative Paid Net Loss & DCC & Year-End						
AY	CY-2 CY-1 (
prior	0	19,670	24,720			
AY-1		16,680	25,830			
AY			18,660			

Part 4x

Bulk & IBNR Reserves @ Year-End					
AY	CY-2	CY-1	CY		
prior	11,060	5,730	2,350		
AY-1		5,670	960		
AY			3,650		

Calendar Year CY+1 Information

	CY+1	IBNR	Case
AY	Paid	Dec CY+1	Dec CY+1
NEW prior	3,210	2,930	5,430
AY	11,700	1,830	5,560
AY+1	23,550	6,720	16,200

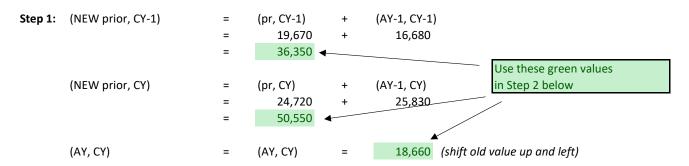
Problem Update Part 2 & 3 for CY 2014.

Hint Do Part 3 first, and use this important fact:

--> The amounts in the prior year row in Part 3 are **defined** to be the amounts paid **since the end of the year** in the first column.

That means the top left corner of the Part 3 triangle, prior @ 2012, will be 0. (The prior year and AY 2012 amounts from the CY 2012 column need to be backed out.)

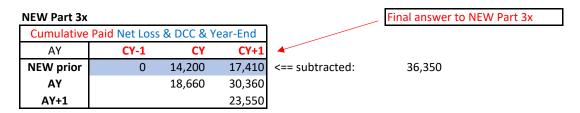
Per the hint, I'm going to start with **PART 3**. (I'll sometimes use "pr" as short for "prior" below)



Step 2: Calculcate the CY+1 column as shown. (This is where we use the NEW calendar year information)

intermediate step				orange CY+1 colur		column:	
AY	CY-1	CY	CY+1		CY col NEW CY+1		NEW CY+1 Pd
NEW prior	36,350	50,550	53,760	=	50,550	+	3,210
AY		18,660	30,360	=	18,660	+	11,700
AY+1			23,550	=	0	+	23,550

Step 3: Back out (NEW prior, CY-1) from the entire 1st row



To get the **NEW Part 2**, we first need the UNPAID triangle (which isn't part of Schedule P) The original unpaid triangle equals (part 2) - (part 3).

Year-End: CY

Unpaid = (part 2) - (part 3)					
AY	CY-2	CY-1	CY		
prior	39,790	18,230	8,010		
AY-1		17,320	5,790		
AY			18,130		

Next, we need the **updated** unpaid triangle. Apply Step 1 to the triangle above to get the green highlighted values. Then use the new calendar year **IBNR & Case** to get the orange column.

UPDATED unpaid triangle			orange CY+1 c		olumn:		
AY	CY-1	CY	CY+1		IBNR		Case
NEW prior	35,550	13,800	8,360	=	2,930	+	5,430
AY		18,130	7,390	=	1,830	+	5,560
AY+1			22,920	=	6,720	+	16,200

The NEW Part 2 exhibit equals: (unpaid triangle above) + (final part 3x triangle from Step 3) = (unpaid) + (paid)

NEW Part 2x							
Incurred	Incurred Net Loss & DCC @ Year-End						
AY	CY-2	CY-1	CY				
prior	35,550	28,000	25,770				
AY-1		36,790	37,750				
AY			46,470				

Final answer to NEW Part 2x