20. (2.25 points)

Given the following data as of December 31, 2013:

Incremental Paid Claims Gross
of Salvage and Subrogation ($000)

Accident Year	0-12 months	12-24 months	24-36 months
2011	4,000	1,000	500
2012	4,500	1,125	
2013	5,000		

Incremental Received
Salvage and Subrogation ($000)

Accident Year	0-12 months	12-24 months	24-36 months
2011	800	950	450
2012	900	1,609	
2013	1,250		

- Assume no development beyond 36 months of age for either paid claims or salvage and subrogation.

Estimate the ultimate salvage and subrogation for accident year 2013 using a ratio approach.

EXAM 5 SPRING 2014 SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION: 20

TOTAL POINT VALUE: 2.25 points

LEARNING OBJECTIVE(S): B6

SAMPLE/ACCEPTED ANSWERS:

Cumulative Paid

	12	24	36
2011	4,000	5,000	5,500
2012	4,500	5,625	
2013	5,000		

A-A

	12	24	36
2011	1.25	1.10	1.00
2012	1.25		
A-A	1.25	1.10	1.00

A-U

12	24
1.375	1.1

Ult Loss   6,875   (5,000 * 1.375)

Cumulative S&S

	12	24	36
2011	800	1,750	2,200
2012	900	2,509	
2013	1,250		

Paid to Paid

	12	24	36
2011	0.200	0.350	0.400
2012	0.200	0.446	
2013	0.250		

	A-A		
	12	24	36
2011	1.75	1.14	1.00
2012	2.23		
A-A	1.99	1.14	1.00

	A-U	
	12	24
	2.274	1.143

Ult S&S	**3,909**	(6,875 * 0.25 * 2.274)

EXAMINER'S REPORT:

This question covered standard material from the text and followed a similar format and presentation. Candidates were required to develop losses to ultimate, and also to be able to apply the Ratio Approach.

Candidates did very well on this question. The most common mistakes included forgetting to develop losses to ultimate and calculator errors.