23. (1.25 points)

An insurer has business reinsured through an excess of loss reinsurance arrangement and a stop loss limit reinsurance arrangement.

| | | Net of Excess of Loss Reinsurance | | | |
| | | | Claims as of December 31, 2014 | | |
Policy Year	Gross Ultimate Claims Estimate ($000)	Net Ultimate Claims Estimate ($000)	Reported ($000)	Paid ($000)	Stop Loss Limit ($000)
2012	1,650	1,475	1,450	1,200	1,500
2013	1,800	1,750	1,600	1,200	1,500
2014	2,000	1,900	1,400	1,000	1,500

a. (0.75 point)

Calculate the IBNR for policy years 2012 through 2014 net of all reinsurance.

b. (0.5 point)

Calculate the unpaid claims for policy years 2012 through 2014 net of all reinsurance.

QUESTION 23	
TOTAL POINT VALUE: 1.25	**LEARNING OBJECTIVE: B6**
SAMPLE ANSWERS	
Part a: 0.75 point	

	(1) Net Ult After Stop Loss	(2)	(1) - (2) IBNR net of all
Yr	(000)	Rep After Stop (000)	reins
12	1,475	1,450	25,000
13	1,500	1,500	0
14	1,500	1,400	100,000
		min (rep net XOL,	
	min(net ult XOL, stop limit)	stop)	total = 125,000

Part b: 0.5 point

	(3) Net Ult After Stop Loss	(4)	(3) - (4) Unpd net of all
Yr	(000)	Pd After Stop (000)	reins
12	1,475	1,200	275,000
13	1,500	1,200	300,000
14	1,500	1,000	500,000
		min (pd net XOL, stop)	total = 1,075,000

EXAMINER'S REPORT

Part a

The candidate was expected to know how to calculate IBNR while taking into account the reinsurance agreements.

Most candidate who answered this part scored well. A common mistake was to forget to apply the stop loss limit and ending up with a negative IBNR for 2013.

Part b

The candidate was expected to know how to calculate the unpaid claims while taking into the reinsurance agreements.

Candidate's performance was mixed on this part. A common mistake was using Net Ultimate Claims Estimate instead of the Net Ultimate Claims Cost (after applying the Stop Loss Limit) when calculating the Net Unpaid Claims.

QUESTION 24	
TOTAL POINT VALUE: 3.25	**LEARNING OBJECTIVE: B3, B8**