1. (1.25 points)

An insurance company portfolio consists of the following:

- 1,000 two-year policies with an effective date of April 1, 2015.
- 1,000 one-year policies with an effective date of July 1, 2015.

a. (0.75 point)

Calculate the following for calendar year 2015:

i. Written exposures
ii. Earned exposures

b. (0.5 point)

Calculate the earned exposures for calendar year 2016.

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EXAM 5 SPRING 2017 SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 1	
TOTAL POINT VALUE: 1.25	**LEARNING OBJECTIVE(S): A1**
SAMPLE ANSWERS	
Part a: 0.75 point	
Sample Response for written exposures: • 1000 * 2 + 1000 = 3000 *Sample Responses for earned exposures:* • 1000 * .75 + 1000 * .5 = 1250 • 2 (1000) * 9/24 + 1000 * 6/12 = 1250	
Part b: 0.5 point	
Sample 1 1000 * 1 + 1000 * .5 = 1500 *Sample 2* 2 (1000) * 12/24 + 1000 * 6/12 = 1500	
EXAMINER'S REPORT	
Candidates were expected to demonstrate how to calculate written and earned exposures for a portfolio of policies with different coverage terms for each calendar year.	
Part a	
Candidates were expected to demonstrate how to calculate written and earned exposures for a portfolio of policies consisting of 1-year and 2-year policies in the calendar year the policies were effective. Common errors included: • Not properly accounting for the 2-year policy term in determining written and earned exposures. • Miscalculations of percent earned in the calendar year.	
Part b	
Candidates were expected to demonstrate how to calculate earned exposures for a portfolio of policies consisting of 1-year and 2-year policies in year 2. Common errors included: • Not properly accounting for the 2-year policy term in determining earned exposures. • Miscalculations of percent earned in the calendar year.	