

Reading: Friedland 14 (Reinsurance)
Model: Stop-Loss Reinsurance (Exhibit II, Sheet 3)
Problem Type: Apply individual excess-of-loss and stop-loss reinsurance

(Fr14.Stop-Loss) 01a-Question

Problem Calculate the total estimated unpaid amount.

(The stop-loss limit inside the yellow square applies to all 2 years in aggregate.)

policy year	ultimate claims		stop-loss limit	net of EoL, net of stop-loss				
	net of EoL gross of stop-loss			ultimate claims	claims @ 12/31/08 reported	paid	estimated IBNR	estimated unpaid
(1)	(2)		(3)	(4)	(5)	(6)	(7)	(8)
2002-03	1,500		2,000		1,300	1,200		
2003-04	1,800		1,500		1,000	850		
2004-05	1,300		1,000		800	600		
2005-06	2,000		4,000					
2006-07	1,100				2,200	1,050		
2007-08	2,000							
Total	9,700				5,300	3,700		?

EoL = Excess-of-Loss

policy year	ultimate claims		net of EoL, net of stop-loss				
	net of EoL	stop-loss	ultimate claims	claims @ 12/31/08		estimated IBNR	estimated unpaid
	gross of stop-loss	limit		reported	paid		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2002-03	1,500	2,000	1,500	1,300	1,200	200	300
2003-04	1,800	1,500	1,500	1,000	850	500	650
2004-05	1,300	1,000	1,000	800	600	200	400
2005-06	2,000	4,000	4,000	2,200	1,050	1,800	2,950
2006-07	1,100						
2007-08	2,000						
Total	9,700		8,000	5,300	3,700	2,700	4,300

Column Notes:

(2) Selected based on review of various projection techniques.

(3) Based on Self-Insurance Pool stop-loss reinsurance program.

(4) = [minimum of (2) and (3)].

(5) and (6) Based on Self-Insurance Pool experience.

(7) = [(4) - (5)].

(8) = [(4) - (6)].

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(The stop-loss limit inside the square applies to all 2 years in aggregate.)

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	net of EoL gross of stop-loss			ultimate claims	claims @ 12/31/08 reported	paid	estimated IBNR
(1)	(2)		(3)	(4)	(5)	(6)	(7)
2002-03	1,300		3,000				
2003-04	1,600				2,900	2,500	
2004-05	1,300						
2005-06	2,100		1,500		1,300	1,000	
2006-07	1,000		1,500		900	500	
2007-08	1,200		1,000		400	200	
Total	8,500				5,500	4,200	?

EoL = Excess-of-Loss

policy year	ultimate claims		net of EoL, net of stop-loss				
	net of EoL	stop-loss	ultimate claims	claims @ 12/31/08		estimated IBNR	estimated unpaid
	gross of stop-loss	limit		reported	paid		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2002-03	1,300	3,000	3,000	2,900	2,500	100	500
2003-04	1,600						
2004-05	1,300						
2005-06	2,100	1,500	1,500	1,300	1,000	200	500
2006-07	1,000	1,500	1,000	900	500	100	500
2007-08	1,200	1,000	1,000	400	200	600	800
Total	8,500		6,500	5,500	4,200	1,000	2,300

Column Notes:

(2) Selected based on review of various projection techniques.

(3) Based on Self-Insurance Pool stop-loss reinsurance program.

(4) = [minimum of (2) and (3)].

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