

Chapter 17 - Unallocated Loss Adjustment Expenses
XYZ Insurer - Kittel Technique
Development of Unpaid ULAE

Exhibit II

Calendar Year	Paid ULAE	Paid Claims	Incurred Claims	Average Paid and Inc. Claims	ULAE Ratio - Paid ULAE to	
					Paid Claims	Avg Paid and Inc. Claims
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2004	14,352,000	333,000,000	535,213,000	434,106,500	0.043	0.033
2005	15,321,000	358,000,000	492,265,000	425,132,500	0.043	0.036
2006	16,870,000	334,000,000	435,985,000	384,992,500	0.051	0.044
2007	17,112,000	347,000,000	432,966,000	389,983,000	0.049	0.044
2008	17,331,000	391,000,000	475,300,000	433,150,000	0.044	0.040
Total	80,986,000	1,763,000,000	2,371,729,000	2,067,364,500	0.046	0.039
(8) Selected ULAE Ratio						0.040
(9) Case Outstanding at 12/31/08						603,000,000
(10) Total IBNR at 12/31/08						316,000,000
(11) Pure IBNR at 12/31/08						19,000,000
(12) Estimated Unpaid ULAE at 12/31/08 Using Total IBNR						24,700,000
(13) Estimated Unpaid ULAE at 12/31/08 Using Pure IBNR						18,760,000

Column and Line Notes:

(2) through (4) Based on data from XYZ Insurer.

(5) = [Average of (3) and (4)].

(6) = [(2) / (3)].

(7) = [(2) / (5)].

(8) Selected based on ULAE ratios in (7).

(9) Based on data from XYZ Insurer.

(10) Based on actuarial analysis at 12/31/08 for all lines combined.

(11) Estimated assuming pure IBNR is equal to 5% of accident year 2008 ultimate claims.

Ultimate claims for all lines combined for accident year 2008 are \$380 million for XYZ Insurer.

(12) = {[(8) x 50% x (9)] + [(8) x 100% x (10)]}.

(13) = {[(8) x 50% x (9) + (10) - (11)] + [(8) x 100% x (11)]}.