

**Reading:** Werner 07: Other Expenses  
**Model:** 2019.Spring #6  
**Problem Type:** All Variable Expense Method

W-07 (020) - (Problem 1)

**Find** Select and justify a total expense ratio assuming all expenses are variable.

**Given**

	2023 Expense Ratio	2024 Expense Ratio	2025 (\$000s)
Direct Written Premium	--	--	8,000
Direct Earned Premium	--	--	8,000
Commission & Brokerage Incurred	9.3%	8.4%	595
Other Acquisition Expense Incurred	9.8%	8.9%	628
General Expenses	6.7%	7.6%	665
Taxes, Licenses, & Fees Incurred	2.5%	2.5%	200

**Step 1** calculate the U/W expense ratios by category for 2025  
(use earned premium for general expenses, use written premium for other categories)

									CY 2025
CB	595	/	DWP	=	595	/	8,000	=	7.4%
OthAcq	628	/	DWP	=	628	/	8,000	=	7.9%
Gen	665	/	DEP	=	665	/	8,000	=	8.3%
TLF	200	/	DWP	=	200	/	8,000	=	2.5%

**Step 2** review expense ratio for all years and make a reasonable selection

	2023	2024	2025	selection		
CB	9.3%	8.4%	7.4%	7.4%	<====	trending, select 2025
OthAcq	9.8%	8.9%	7.9%	7.9%	<====	trending, select 2025
Gen	6.7%	7.6%	8.3%	8.3%	<====	trending, select 2025
TLF	2.5%	2.5%	2.5%	2.5%	<====	stable, select average
				26.1%		

(final answer)

**Reading:** Werner 07: Other Expenses  
**Model:** 2019.Spring #6  
**Problem Type:** All Variable Expense Method

W-07 (020) - (Problem 2)

**Find** Select and justify a total expense ratio assuming all expenses are variable.

**Given**

	2023 Expense Ratio	2024 Expense Ratio	2025 (\$000s)
Direct Written Premium	--	--	9,300
Direct Earned Premium	--	--	9,858
Commission & Brokerage Incurred	11.5%	11.5%	1,092
Other Acquisition Expense Incurred	12.6%	13.8%	1,397
General Expenses	9.7%	10.7%	1,163
Taxes, Licenses, & Fees Incurred	2.5%	2.5%	237

**Step 1** calculate the U/W expense ratios by category for 2025  
(use earned premium for general expenses, use written premium for other categories)

									CY 2025
CB	1,092	/	DWP	=	1,092	/	9,300	=	11.7%
OthAcq	1,397	/	DWP	=	1,397	/	9,300	=	15.0%
Gen	1,163	/	DEP	=	1,163	/	9,858	=	11.8%
TLF	237	/	DWP	=	237	/	9,300	=	2.5%

**Step 2** review expense ratio for all years and make a reasonable selection

	2023	2024	2025	selection	
CB	11.5%	11.5%	11.7%	11.6%	===== stable, select average
OthAcq	12.6%	13.8%	15.0%	15.0%	===== trending, select 2025
Gen	9.7%	10.7%	11.8%	11.8%	===== trending, select 2025
TLF	2.5%	2.5%	2.5%	2.5%	===== stable, select average
				40.9%	

(final answer)