

Errata for Solutions Manual for Introduction to Ratemaking and Loss Reserving for Property and Casualty Insurance – Fourth Edition

March 21, 2018

Changes:

Page 14: Solution to exercise 3.5: Table revisions for rounding.

Ratio of Successive Development Years				
Accident Year	1/0	2/1	3/2	4/3
AY1	1.250	1.100	1.082	1.008
AY2	1.250	1.085	1.088	1.018
AY3	1.225	1.093	1.094	1.024
AY4	1.232	1.100	1.100	
AY5	1.240	1.107		
AY6	1.246			
Average:	1.240	1.097	1.091	1.017
4-Year	1.236	1.096	1.091	1.017
Mean:	1.240	1.098	1.092	1.018

Development Table (Average)					
Accident Year	1	2	3	4	Reserve for Year
AY4				449.7	69.5
AY5			498.3	506.7	156.9
AY6		510.7	557.2	566.6	264.9
AY7	520.6	571.1	623.1	633.7	402.4
Total Loss Reserve					893.8

Development Table (4-Year Average)					
Accident Year	1	2	3	4	Reserve for Year
AY4				449.7	69.5
AY5			498.3	506.7	156.9
AY6		510.3	556.8	566.2	264.5
AY7	518.6	568.5	620.3	630.8	399.5
Total Loss Reserve					890.5

Development Table (Mean)					
Accident Year	1	2	3	4	Reserve for Year
AY4				450.0	69.8
AY5			498.7	507.5	157.7
AY6		511.0	558.1	567.9	266.2
AY7	520.4	571.3	623.9	634.9	403.6
Total Loss Reserve					897.4

Page 16: Revised solution for exercise 3.7:

Year	Earned Premium (\$,000)	Expected Loss Ratio	$E[\$Loss] =$ $E[LR] \times E.P.$	f	$EL \left(1 - \frac{1}{f} \right)$
AY4	4,750	0.60	2,850.0	1	0
AY5	5,175	0.62	3,208.5	1	0
AY6	5,500	0.65	3,575.0	1.027816	96.752
AY7	5,900	0.63	3,717.0	1.328278	918.639
				Reserve:	1015.391

Page 29: Exercise 3.19. The 1/0 LDF in part (b) should be 1.200.

Page 44: Exercise 4.23. In the table, the row for Earned Premium at Current Rates, the Territory B amount should be 1,200,000.