P. 150: Policy Year 7: (1.836)(552.572) = 1015.

Page 489, solution 6.88: I need to take into account the subrogation: 48,750 - 31,250 + 43,750 - **5000** = **\$56,250**.

Page 493, solution 7.75, in the Comment: 382,500/375,000 - 1 = 2.0%

Page 505, solution 7.89: (1.15) {(1.75)(1.25)(1.05)(1.04)} (1.3^{3.75}) (50,000) =

(5, 11	/17, Q.1	10) (1.7	'5 point	ts) Give	en the f	followir	ng:			
Territory		True Relativity			Univariate Indicated Relativity				Loss &	ALAE (\$000)
1		0.50			0.46				3,680	
2		1.00			1.00				8,000	
3		1.20			1.28				11,636	
Earned Exposures (000)										
	<u>Territory</u>		<u>Class A</u>		<u>Class B</u>		<u>Class C</u>			
	1		150		70		110			
	2		105		115		110			
	3		70		180		125			
	Class			А		В		С		
	Charged Factor			0.85		1.15		1.00		

P. 1132 and 1183, Q.10.81, should have been:

- a. (0.5 point) Explain why the univariate indicated relativities are different from the true relativities.
- b. (1.25 points) Calculate territory relativities using the adjusted pure premium method,

keeping territory 2 as the base level.

10. (a) The univariate indicated relativities ignore the different mix of classes by territory that is present here, which creates a problem when as here the expected pure premiums differ by class. So for example, Territory 1 with a larger percentage of Class A exposures than average, will just for that reason have an expected lower pure premium than it would otherwise have.

(b) Using the class factors, the adjusted exposures by territory are:

(150)(0.85) + (70)(1.15) + (110)(1) = 318.

(105)(0.85) + (115)(1.15) + (110)(1) = 331.5.

(70)(0.85) + (180)(1.15) + (125)(1) = 391.5.

The adjusted pure premiums by territory are:

3680/318 = 11.57, 8000/331.5 = 24.13, 11,636/391.5 = 29.72.

Indicated territory relativities with respect to territory 2:

11.57/24.13 = **0.48**, 1, 29.72/24.13 = **1.23**.

p. 1326, solution 11.50: Claims 6 contributes to this layer: 100,000 - **25**,000 = **75**,000. Final solution is okay.

Page 1421, comment to the exercise:

82% of expected unlimited losses are in the layer below \$100,000.

Pages 1568 and 1617: The solutions to parts (c) and (d) of Q.14.57. (5, 11/18, Q.8) are on page 1568 rather than page 1617 where they belong.