

Reinsurance

M97 2020–21 edition

Web update 1: 20 April 2020

Please note the following update to your copy of the **M97** study text:

Chapter 3, section A3B, example 3.4, page 3/7

Please amend the second paragraph to read (change shown in **bold**):

Insurer A has a surplus reinsurance treaty of nine lines with a retention of £3m so its gross automatic capacity is its retention of £3m plus nine lines of £3m in other words (£3m plus £27m = £30m).



Chapter 3, section B2, table 3.2, page 3/12

Please amend the last row of the table to read (change shown in **bold**):

Insurer retains (net)	£500,000 (the difference between its gross retention and its excess of loss recovery)
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Chapter 4, section G2A, sub-heading 'Retained earnings', page 4/32

Please amend the final paragraph on the page to read (change shown in **bold**):

US\$5.5m retained premium income plus commission from the treaty of US\$1.625m (25% of the annual premium income to the treaty of US\$6.5m).

Chapter 4, section G2A, page 4/33

Please amend the first bullet in the first bullet list to read (changes shown in **bold**):

- Incoming: Retained premium plus ceding commissions **US\$7.225m** (**US\$5.5m**, plus US\$1.625, plus US\$100,000).

Please amend the next sentence as follows:

The total net income would then be **US\$5.038m**.

Please amend the final sentence of the next paragraph to read as follows:

That would leave Brizo with a profit of **US\$1,463,000** (net income of **US\$5.038m** less **US\$3.575m** retained losses) before the cost of excess of loss for the retention.

Chapter 10, section C5C, example 10.1, page 10/20

Please amend the example as shown (changes shown in **bold**):



Example 10.16

A treaty runs from 1 January **2020** for twelve months. Cover is \$20m excess of \$6m.

Losses from the ground up of \$13m occur on 1 July. Ultimate premium is \$X.

Scene 1: Reinstatement at 100% additional premium (100% as to time and pro rata as to amount).
Premium is $X \times 35\%$.

Scene 2: Reinstatement at 100% additional premium (pro rata as to time and pro rata as to amount).
Premium is $X \times 50\% \times 35\%$.

Scene 3: Reinstatement at 50% additional premium (pro rata as to time and pro rata as to amount).
Premium is $X \times 50\% \times 50\% \times 35\%$.