16. (2.5 points)

The following information is taken from page 80.10 of a property and casualty insurance company's P&C-1 as at December 31, 2013. All amounts are in thousands dollars ($000s).

	Deferred Commissions at beginning of year	Deferred Commissions end of year	Commissions in respect of premiums written			
			Direct	Reinsurance Assumed	Reinsurance Ceded	Net
Auto	30,500	32,100	65,200	0	2,800	62,400
Property	13,400	14,400	?	0	0	?
Total	43,900	46,500	?	0	2,800	?

	Unearned Commissions at beginning of year	Unearned Commissions end of year	Net Commissions attributable to the Period
Auto	2,600	2,900	?
Property	0	0	30,000
Total	2,600	2,900	?

Other financial information from page 80.10:

● Gross contingent commissions = $11,000.
● Ceded contingent commissions = $0.
● The company had no gross or ceded other non-deferrable commissions.

Calculate total net commissions as it appears on page 80.10.

QUESTION: 16

TOTAL POINT VALUE: 2.5

LEARNING OBJECTIVE(S): C1

SAMPLE/ACCEPTED ANSWERS:

Net Commissions attributable to the Period = Net Comissions + (Deferred Commissions at beginning of year – Deferred Comissions at end of year) + (Unearned Commissions at end of year – Unearned Commissions at beginning of year)

Net Commissions attributable to the Period = 62,400 + (30,500- 32,100) + (2,900 – 2,600) = 61,100

Total Net Commissions = Net Commissions attributable to the Period for Auto + Net Commissions attributable to the Period for Property + Gross Contingent Comissions – Ceded Contingent Commissions (no other non-deferrable commissions in question)

Total Net Commissions = 61,100 + 30,000 + 11,000 – 0 = 102,100

EXAMINER'S REPORT:

General Commentary

Candidates expected to demonstrate knowledge of the calculations done on page 80.10 of a property and casualty insurance company's P&C-1. Specifically, being able to determine the bottom line total net commissions given a set of incomplete information.

Overall, there was a large spread in candidate results for this question. While there were candidates with perfect scores, many candidates also left this question blank or did not complete it.

Common errors included calculating unneeded missing information in the original table, or reversing the signs on deferred commissions or unearned commissions.