

Background

Scenario 1

This is a book of automobile insurance written by the Hapless Insurance Company in the state of Confusion.

Nothing particularly unusual is happening in Confusion nor for Hapless, except for a particularly troubling claim that arose from a 2007 accident. Because of errors in Hapless' handling of the claim it was required to pay substantially more than its policy limits to settle the claim. This payment occurred during 2011.

In addition on December 1, 2012 a major earthquake struck Hapless' call center used to process incoming claims. Due to this earthquake and resulting damage to the call center located in the state of Bliss, new claims could not be processed during December 2012.

Through all this time the expenses, including profit for Hapless have generally run about 20% of premium.

Scenario 2

This is a book of automobile insurance written by the Hapless Insurance Company in the state of Confusion.

Except for 2012, nothing particularly odd was happening at Hapless, but Confusion implemented a new law that increased the posted highway speed limits, phasing in the increase beginning January 1, 2008 and ending December 31, 2011. It is believed this will increase the claim load at Hapless making claim settlements take longer.

To make matters worse, on December 1, 2012 a major earthquake struck Hapless' call center used to process incoming claims. Due to this earthquake and resulting damage to the call center located in the state of Bliss, new claims could not be processed during December 2012.

It may have taken Hapless some time to adjust for the effects of the new law in its rates, but 2012 is expected to experience a somewhat normal loss ratio. Through all this time the expenses, including profit for Hapless have generally run about 20% of premium.

Scenario 3

This is a book of automobile insurance written by the Hapless Insurance Company in the state of Confusion.

Except for 2012, nothing particularly odd was happening at Hapless, but Confusion implemented a new law that phased in the enforcement of a new mandatory seat-belt law beginning January 1, 2008 and with maximum enforcement level attained by December 31, 2011. It is believed this will decrease the claim load at Hapless making claim settlement times shorter.

In addition, on December 1, 2012 a major earthquake struck Hapless' call center used to process incoming claims. Due to this earthquake and resulting damage to the call center located in the state of Bliss, new claims could not be processed during December 2012.

It may have taken Hapless some time to adjust for the effects of the new law in its rates, but 2012 is expected to experience a somewhat normal loss ratio. Through all this time the expenses, including profit for Hapless have generally run about 20% of premium.

Scenario 4

This is a book of automobile insurance written by the Hapless Insurance Company in the state of Confusion.

Except for 2012, nothing particularly odd was happening at Hapless, but on January 3, 2009 the Confusion Supreme Court handed down a significant decision affecting all open automobile claims in Confusion. The decision meant that insurers could no longer use the defense of an insured's cluelessness in arguing a claim should not be paid. As a result it is expected that claims would take longer to settle after the decision than before.

In addition, on December 1, 2012 a major earthquake struck Hapless' call center used to process incoming claims. Due to this earthquake and resulting damage to the call center located in the state of Bliss, new claims could not be processed during December 2012.

It may have taken Hapless some time to adjust for the effects of the court decision in its rates, but 2012 is expected to experience a somewhat normal loss ratio. Through all this time the expenses, including profit for Hapless have generally run about 20% of premium.