

127. Losses in 2003 follow a two-parameter Pareto distribution with $\alpha = 2$ and $\theta = 5$. Losses in 2004 are uniformly 20% higher than in 2003. An insurance covers each loss subject to an ordinary deductible of 10.

Calculate the Loss Elimination Ratio in 2004.

(A) $5/9$

(B) $5/8$

(C) $2/3$

(D) $3/4$

(E) $4/5$