

31.

An insurance company has an obligation to pay the medical costs for a claimant.

Average annual claims costs today are \$5,000, and medical inflation is expected to be 7% per year. The claimant is expected to live an additional 20 years.

Claim payments are made at yearly intervals, with the first claim payment to be made one year from today.

Find the present value of the obligation if the annual interest rate is 5%.

(A) 87,932

(B) 102,514

(C) 114,611

(D) 122,634

(E) Cannot be determined