

Question #226

Answer: A

$$\text{Actual payment (in millions)} = \frac{3}{1.1} + \frac{5}{1.1^2} = 6.860$$

$$q_3 = 1 - \frac{0.30}{0.60} = 0.5$$

$${}_1q_3 = \frac{0.30 - 0.10}{0.60} = 0.333$$

$$\text{Expected payment} = 10 \left(\frac{0.5}{1.1} + \frac{0.333}{1.1^2} \right) = 7.298$$

$$\text{Ratio } \frac{6.860}{7.298} = 94\%$$