127. Solution: D

Because the number of payouts (including payouts of zero when the loss is below the deductible) is large, we can apply the central limit theorem and assume the total payout S is normal. For one loss there is no payout with probability 0.25 and otherwise the payout is U(0, 15000). So,

$$E[X] = 0.25*0 + 0.75*7500 = 5625,$$

$$E[X^2] = 0.25*0 + 0.75*(7500^2 + \frac{15000^2}{12}) = 56{,}250{,}000,$$ so the variance of one claim is

$$Var(X) = E[X^2] - E[X]^2 = 24{,}609{,}375.$$

Applying the CLT,

$$P[1{,}000{,}000 < S < 1{,}200{,}000] = P\left[-1.781741613 < \frac{S-(200)(5625)}{\sqrt{(200)(24{,}609{,}375)}} < 1.069044968\right]$$

which interpolates to 0.8575-(1-0.9626)=0.8201 from the provided table.