## Comparison of YRT Credit APFs

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<th>APFs</th>
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| 2019-39                     | Prescribed temporary solution equal to 1/2 of one-year cost of insurance | • Full symmetry between reinsurer and ceding company  
• No variations            | • Does not reflect the economics of the reinsurance treaty  
• Very prescriptive – not a PBR solution |
| 2019-40                     | Most Principles Based                                   | • Most PBR solution  
• Reflects the economics of the reinsurance treaty  
• 40C&D have guardrails through loss triggers, minimizing variation in results | • Potential for large variation of results  
• Most judgement based solution – which could be difficult to understand for regulators’ review  
• 40C&D have significant modeling complexity, requiring multiple runs (compounded for pricing projections) |
| 2019-41                     | Best estimate credit                                   | • PBR solution  
• Low asymmetry between assumed and ceded  
• Reflects the economics of the reinsurance treaty | • Complex to model due to differences between Mortality and YRT assumptions - need multiple runs  
• Disconnects due to inconsistency from one projection using prudent estimate assumptions and a separate one using best estimate assumptions |
| 2019-42                     | Prescribed Margins i.e PBR with guardrails             | • PBR solution  
• Guardrails to minimize asymmetry between assumed and ceded  
• Reflects the economics of the reinsurance treaty  
• Simplistic modeling  
• Middle ground across Oliver Wyman heatmap in their report | • Variation of results (depends on # of years of Mortality Improvement) - which could be prescribed  
• 5 year of FMI was estimated to show a 50/50 risk sharing agreement between direct and reinsurer |