

MSA Cost-sharing Alternative

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Goals of revised cost-sharing

- Lower rate increases for certain subset:
 - Explicitly for cumulative rate increases > 400%
 - Implicitly (in many cases) for higher age / higher duration policyholders “85/25”
- Maintain balance
 - Protection for policyholders
 - Reduced financial distress for insurers

Aspects of proposals

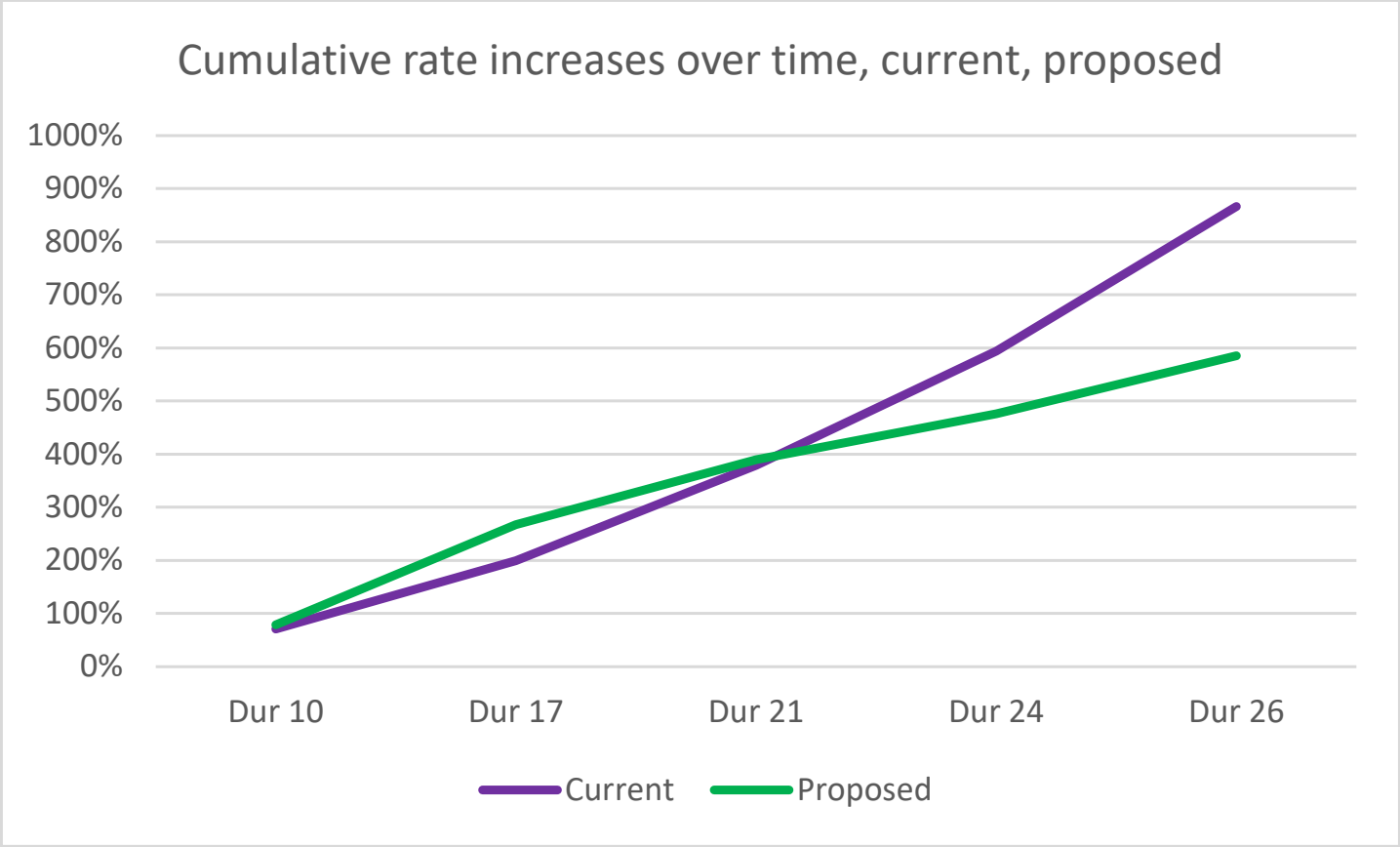
- Handling of:
 - Cumulative rate increases above 400%
 - Incremental rate increases when cumulative amount exceeds 400%

 - Cumulative rate increases below 400%
 - Incremental rate increases when cumulative amount is less than 400%

- Impact on Balance

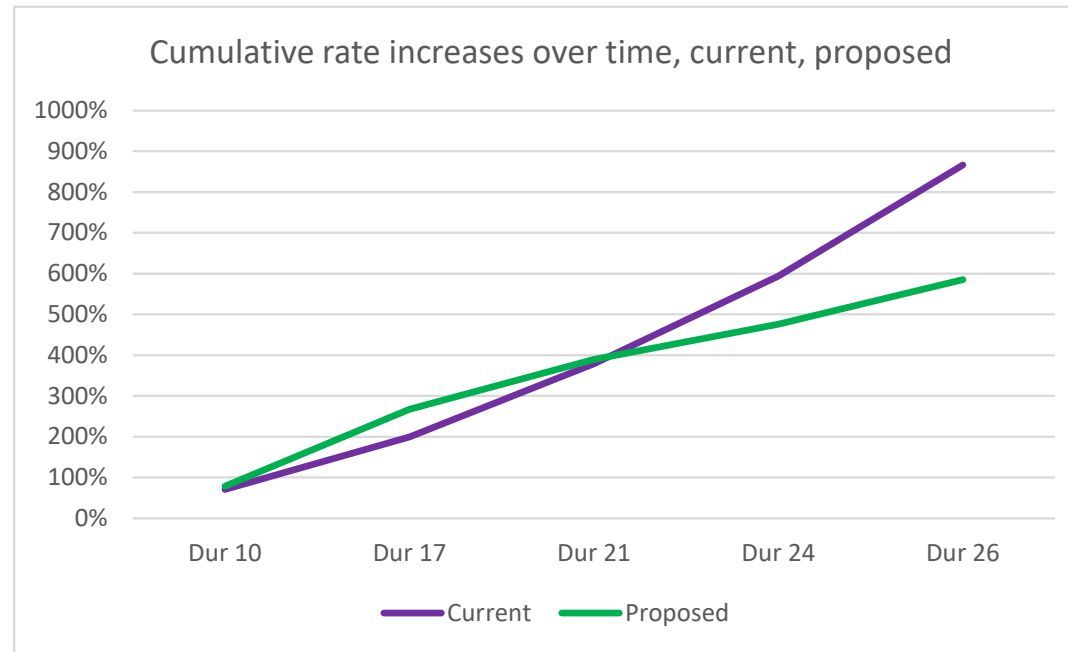
Proposal A - handling of aspects

- Proposal A



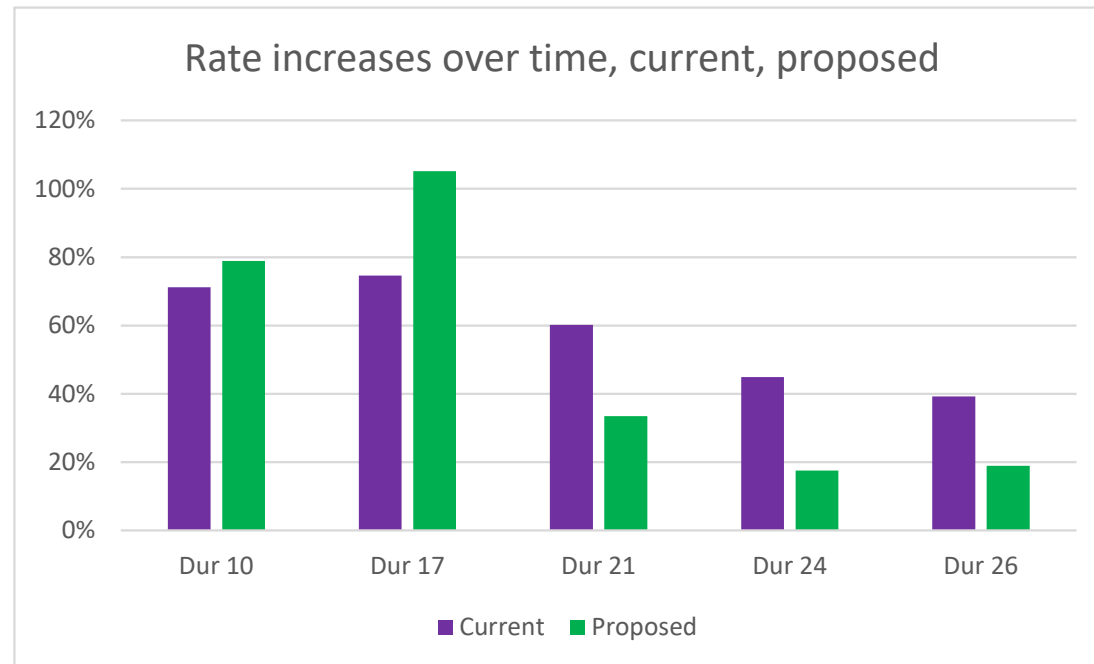
Proposal A - handling of aspects

- Significant flattening of curve after 400%
 - Still higher rate increases possible, but 80% cost sharing versus 50% in current approach
 - In addition to weighted makeup/if-knew implicit cost-sharing



Proposal A - handling of aspects

- Higher cumulative rate increases below 400%
 - Attempt to maintain balance, and
 - Brings higher age / higher duration rate increases down even more
 - Due to block deterioration being handled earlier in a product's life



Summary of types of regulator comments

- Reduce cumulative rate increases above 300%
 - Example: AL proposal & CO/MD comments
- Greatly reduce or eliminate cumulative rate increases above 600%
 - Example: MO proposal
- Lower the hump for < 400% cumulative rate increases
 - Example: OH verbal comment
- Other
 - Don't differ rates by age, focus on assumptions
 - Need path forward for states with lower past cumulative approvals

Alt proposal to address regulator comments

- Current framework:
 - No haircut for the first 15%
 - 10% haircut for the portion of cumulative rate increase between 15% and 50%
 - 25% haircut for the portion of cumulative rate increase between 50% and 100%
 - 35% haircut for the portion of cumulative rate increase between 100% and 150%
 - 50% haircut for the portion of cumulative rate increase in excess of 150%
- Proposal A:
 - 5% haircut for the first 100%
 - 20% haircut for the portion of cumulative rate increase between 100% and 400%
 - 80% haircut for the portion of the cumulative rate increase in excess of 400%
- Alternate Proposal:
 - 5% haircut for the first 100%
 - 35% haircut for the portion of cumulative rate increase between 100% and 400%
 - 70% haircut for the portion of the cumulative rate increase between 400% and 800%
 - 85% haircut for the portion of the cumulative rate increase in excess of 800%

Alt proposal to address regulator comments

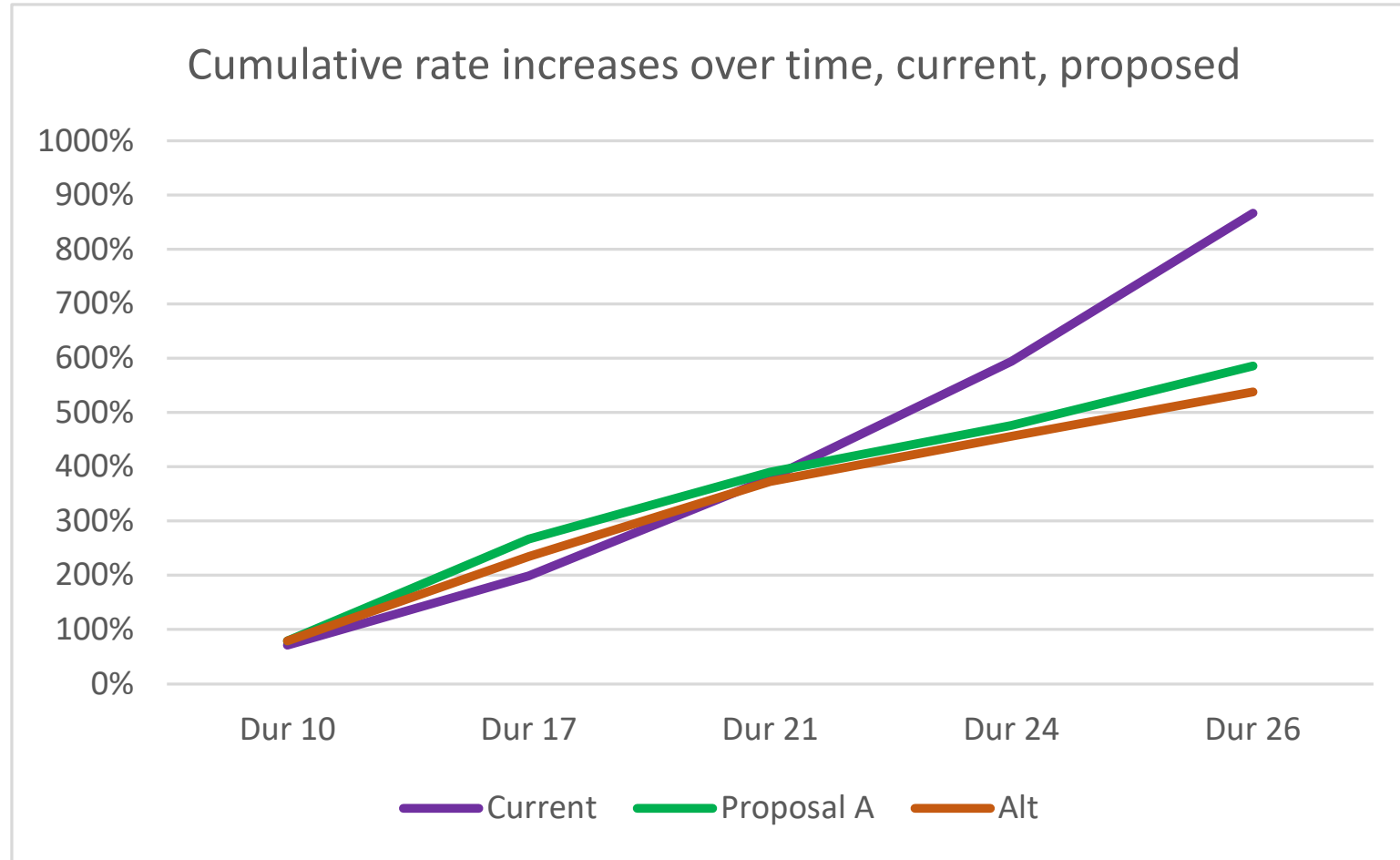
- For MSA recommendations:
 - Maximum approval for any state of 100% of current rates
 - Provide a path forward for states with lower past cumulative approvals by avoiding recommendation of extremely high rate increases
 - In subsequent filings with states, companies can file to recoup what was justified

Comparison of proposals

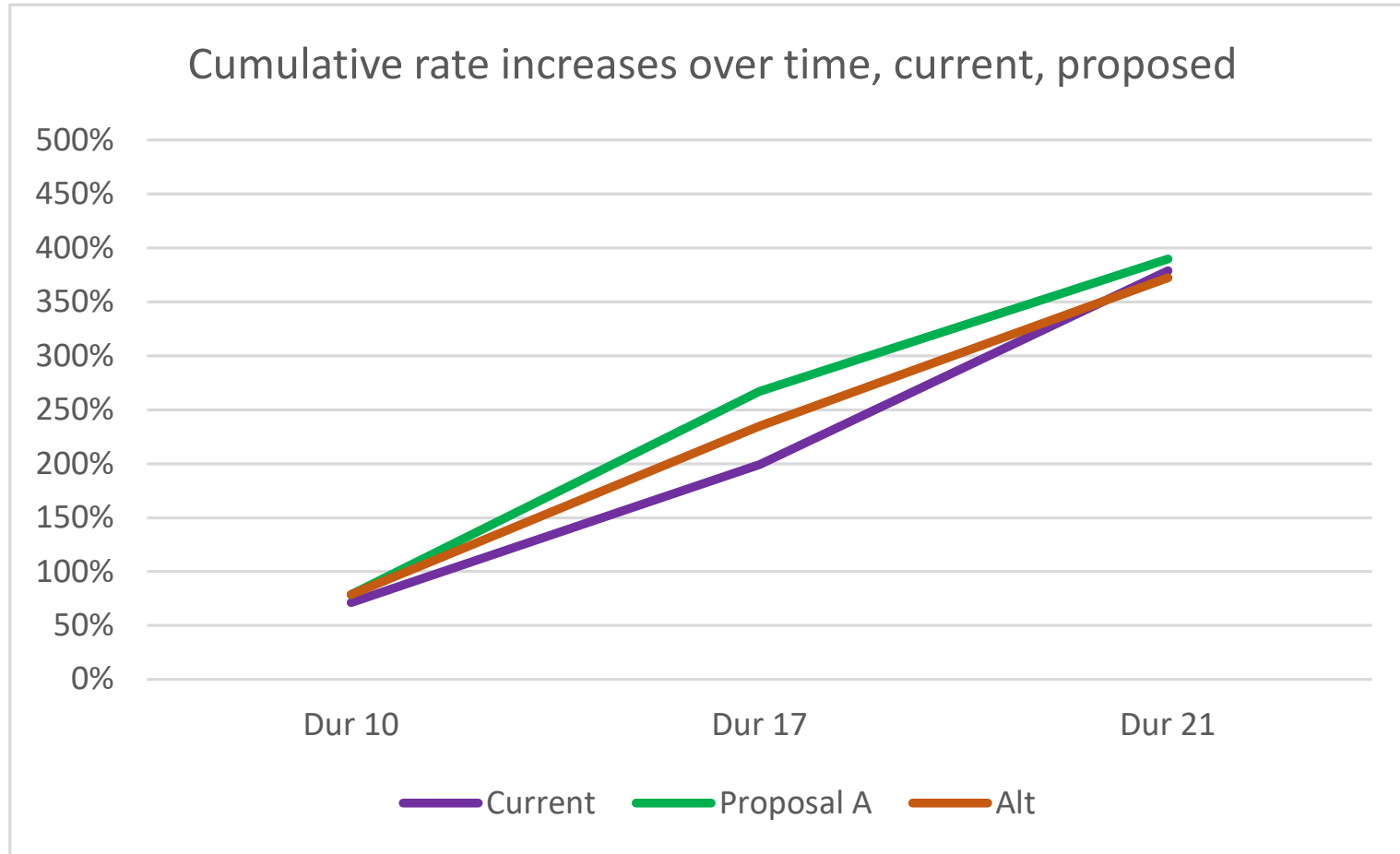
		Current	Prop A	Alt
First, next	First, next	PH Share	PH Share	PH Share
100%	100%	84%	95%	95%
200%	300%	57%	80%	65%
100%	400%	50%	80%	65%
400%	800%	50%	20%	30%
1000%	1000%	50%	20%	15%

Note that “Current” reflects a blend of cost sharing factors for the first two ranges

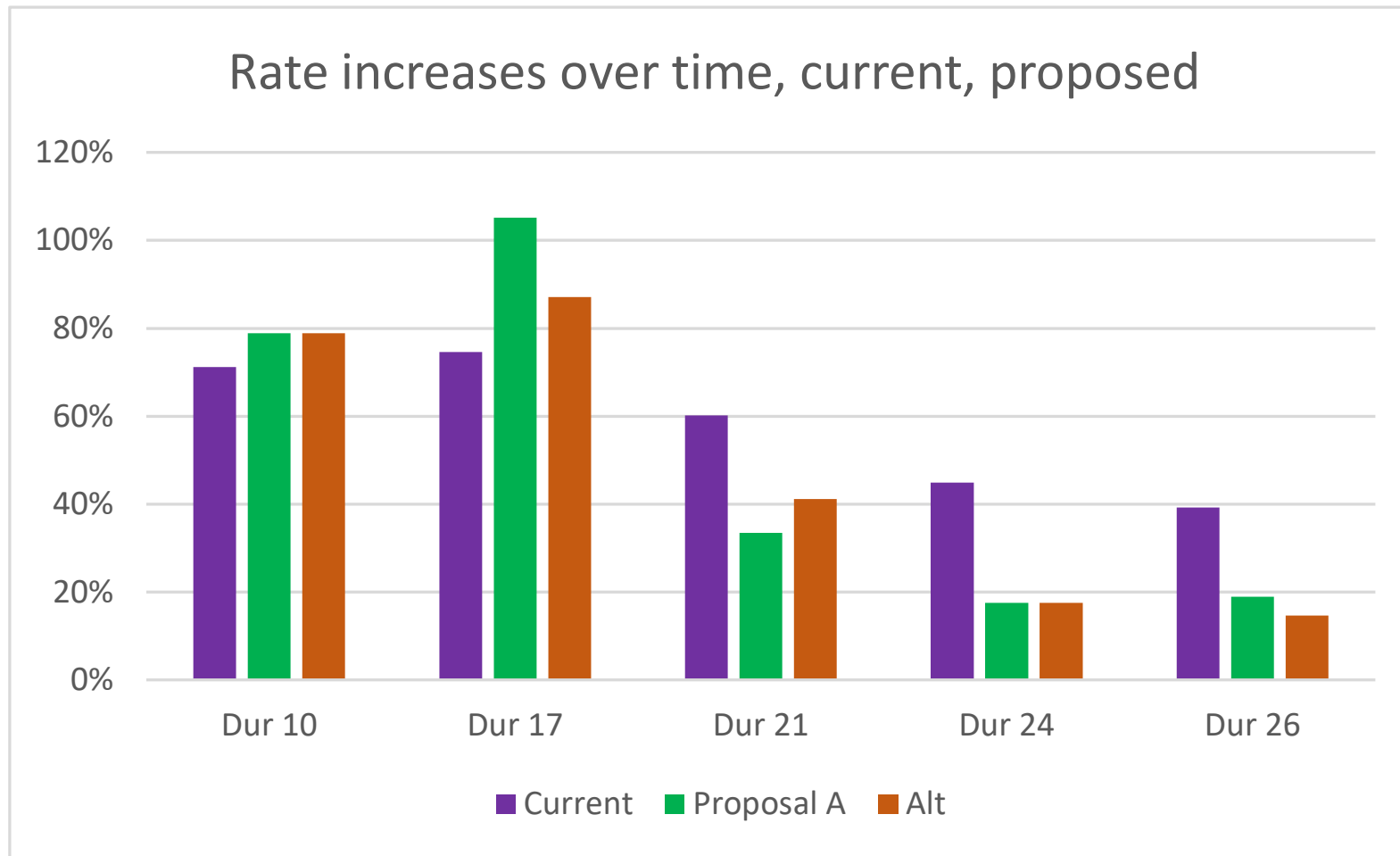
Alternate proposal to address each comment and maintain balance



Alternate proposal



Alternate proposal



Alt proposal handling of regulator comments

- Reduce cumulative rate increases above 300%
 - More cost sharing than Proposal A after 100% cumulative
- Greatly reduce or eliminate cumulative rate increases above 600%
 - Flattens curve even more than Proposal A does at higher cumulative
- Lower the hump for < 400% cumulative rate increases
 - Cuts hump about in half (but still maintains some balance)
- Other
 - Approach would not require differing rates by age
 - Assumption review would still be in place
 - Path forward for states that have lower past cumulative rate increases