

**Agenda Item 2. Reviewed draft language for adding an adjustment to the Minimum Loss Ratios (MLR) for High Average Premium plans consistent with the approach in Model Guideline 134 (Model).**

Tomasz Serbinowski summarized the decisions made during the prior Actuarial Working Group (AWG) call: (1) the group decided they were not comfortable with adding Optionally Renewable as a renewal type for Individual Disability Income (IDI) as there are no nonforfeiture requirements for IDI with Issue Age Rates and (2) the group decided they had no actuarial concerns with adjusting the MLR's in the Uniform Standard for Guaranteed Renewable and Noncancellable products to the MLR's in the Model.

Jeanne Daharsh, actuary for the Insurance Compact, reminded the group that during the prior call, it was suggested that an adjustment to the MLR for High Average Premium Plans be added to the Uniform Standard. Ms. Daharsh provided the AWG with an overview of the proposed draft language to be added to §2.B.(1)(g) of the Standards for Initial Rate Filings for Individual Disability Income Insurance. The group discussed whether the adjustment should be a required adjustment as it increases the MLR and companies would be unlikely to voluntarily adjust the MLR upward. In addition, the group discussed the threshold to define High Average Premium. Ms. Daharsh reminded the group that this specific issue was not referred to the AWG but was a topic that came up on the prior call. Anne Marie Narcini noted that there would be one more public call before the Product Standards Committee (PSC) refers suggested amendments to the Uniform Standards to the Management Committee. The group decided to: (1) suggest that the PSC consider exposing the draft with a requirement to adjust the MLR for High Average Premium plans; (2) suggest that the PSC research how many states require an adjustment to the MLR for High Average Premium plans and if any do, what are the details of the adjustment/threshold and (3) Ms. Daharsh will research previously approved IDI products to determine the level of the average premium for plans currently being submitted for approval and advise the PSC of her findings.

**Agenda Item 3. Continued Discussion of Clarification Item #9 - *Minimum Loss Ratio for Multi-Life Discount Levels - Standards for Initial Rate Filings for Individual Disability Income Insurance.***

Ms. Daharsh explained that the IDI Rate Filing Standard requires that multi-life discounts be justified due to a similar reduction in anticipated claims. The Insurance Compact requires that the company demonstrates that each multi-life discount level produces the same or similar Anticipated Loss Ratio (ALR) and that the ALR for each multi-life discount level exceeds the MLR. In addition, if a company elects to adjust the MLR downward for Low Average Premium plans, they are allowed to make a separate adjustment for each multi-life discount level. The proposed revision to the Uniform Standard is to communicate the required demonstration and level of documentation needed rather than Compact staff requesting the information during the review process. Following discussion, the working group concluded that they had no actuarial concerns with the proposed revision.

Actuarial Working Group  
Member Call  
December 13, 2017

**Agenda Item 4. Discuss Clarification Item #10 – *Expenses and Contingency and Risk Margin - Standards for Initial Rate Filings for Individual Disability Income Insurance***

Mr. Serbinowski explained that the IDI Report included a proposed reformatting of 2(f)(vi) in the Actuarial Submission requirements. Ms. Daharsh pointed out that (vi) requires the actuary provide two pieces of information: (1) the pricing expense assumptions and (2) the overall expenses and the contingency/risk margins on a present value basis as a present value of the premium. The working group decided that they had no actuarial concerns with the proposed revision.

**Agenda Item 5. Any Other Matters.**

The Chair stated that the Compact staff will present the AWG suggestions to the PSC. The PSC will schedule a public call to seek input and comments on the report after the holidays.