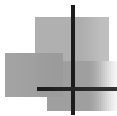


# Basic Regulatory

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1



# Learning Objectives

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- NAIC Process for Current Projects
- Sample of Current NAIC Projects
  - Description of Project
  - History To Date
  - Current Status
  - Prognosis

2



## Projects

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- Risk-Based Capital
- 2001 CSO Mortality Table
- Disability Claim Reserve Cliffs
- Health Liquidity
- HMO Model Act

3



## Risk-Based Capital

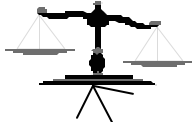
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- Current Formula Changes
  - Health
    - LTC
    - Stop-Loss
    - DI
  - Life
    - Tax Adjusted Factors
    - MODCO Reinsurance

4

# The Law and the Formula

**The Model Law & State Law**

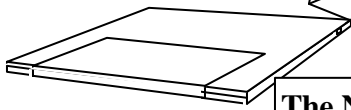


Statutory Standard

**The Formula**

$$E=MC^2$$

Defacto Standard



**The NAIC Filing**

## Health RBC: ADOPTION BY STATES



Source: Blue Cross and Blue Shield Association, January 2002



## 2001 CSO Mortality Table

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- Implementation of new SOA Table
- Identification of all Model Acts and References to prior CSO Table

7



## Disability Claim Reserve Cliffs

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- Concern Raised by a State Regulator Concerning a Cliff in Reserves Due to Switch from Company Based Reserve to Tabular Reserve
- Study of Company Practice
- Inquiry of State Requirements

8



## Health Liquidity

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- Capital vs. Liquidity = Requirement Beyond RBC
- Original Project Dates to 1998
- Current Project Started in 2001
- Implementation – 2006 to ???
  - 2003 Finalize Ratios and Paradigm
  - 2004 Pass Through NAIC
  - 2005 Blanks Changes
  - 2006 Implement

9

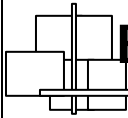


## HMO Model Act

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- Revision of HMO Model Act Started 2 Years Ago
- Update for New Market Place and Inflation
- Currently Attempting to Come to Closure on Sensitive Items

10



# Basic Regulatory

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