

**July 13, 2012 – Comment #9 – 11:54 a.m.**

**Re: ASOP No. 6 revisions - *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Plan Costs or Contributions.***

Dear Actuarial Standards Board:

Submitted for your consideration are comments regarding Section 3.7.8 Pooled Health Plans (including Community Rated Plans) in the above referenced ASOP 6 exposure draft. Credentialed actuaries employed by Milliman and our individual signatures represent our own professional views expressed in this comment letter. The comments do not reflect nor represent the opinion of our employer.

Please clarify what should be valued when the group being valued participates in a community-rated insurance plan. Section 3.7.8 states that the actuary should reflect the full age-specific cost, regardless of the size of the group being valued.

As stated in the second paragraph of 3.7.8, premiums are typically based on the claims, demographics, or other risk factors of the entire pool. For this reason, it is stated that the costs should be based upon the pool's total age distribution and the pool's total expected claims costs or premium equivalent rather than based on the group's own age distribution and its own expected claims costs or premium equivalent.

We question the use of age-specific costs if the group being valued participates in a plan that is community rated. In our judgment, the use of unadjusted premiums for projecting benefits better reflects the costs and cash flows for the group being valued in instances in which the specific risk characteristics of the group being valued have little or no impact on the unadjusted premiums that the group pays. That will typically be the case for a community rated plan. The age-specific costs of the group being valued do not reflect the costs paid by the group.

We suggest that language similar to the following be added: "If, in the actuary's judgment, the specific risk characteristics of the group being valued have little or no impact on the premiums that the group pays, the use of unadjusted premiums for projecting benefits is permitted."

In addition to our concerns regarding the appropriateness of the use of age-specific costs, we have a practical concern. We anticipate that it will sometimes be difficult or impossible for the actuary to gather the total age distribution and total expected claims costs or premium equivalent for the entire pool. On page vii of the exposure draft, it is indicated that three large statewide health insurance pools indicated that they would be willing to provide actuaries with the pool-wide age-sex distributions of plan member counts. However, in our experience, the organizations operating these pools do not typically make this information publicly available. Please provide guidance as to how we should proceed when this information is not made available to us. Perhaps if the actuary requests this information, but the information is not made available to the actuary by the pool administrator, it would be acceptable practice for the actuary to use the unadjusted premiums for projecting benefits.

Please contact Daniel Wade in Milliman's Seattle office at 206 504 5695 or [daniel.wade@milliman.com](mailto:daniel.wade@milliman.com) if you would like to discuss our comments.

Thank you for your consideration.

K:\ASB\Standards\Pension\Current Projects\ASOP 6\Comments\Comment 9.doc  
7/10/2012

SIGNATURES OF CONCURRING ACTUARIES

Daniel Wade, FSA, EA, MAAA	Suzanne Taranto, EA, MAAA
John Botsford, FSA, EA, MAAA	Robert Schmidt, FSA, EA, MAAA
Colin Scheriff, FSA, MAAA	Arthur C. Rains-McNally, FSA, EA, MAAA
Glenn Bowen, FSA, EA, MAAA	Scott Porter, FSA, EA, MAAA
John Bauer, FSA, MAAA	Roscoe Haynes, FSA, EA, MAAA
Katherine A. Warren, FSA, EA, MAAA	Kenneth L. Friedman, FSA, EA, MAAA
Bill Hogan, FSA, EA, MAAA	Bill Winningham, EA, MAAA
Susie Karam, FSA, EA, MAAA	Janet Jennings, ASA, MAAA
Franklin N. Thoen, FSA, EA, MAAA	Tim Herman, FSA, MAAA
Victor P. Harte, EA, MAAA	Steve A. Lemanski, FSA, EA, MAAA
Vickie Mazzie, FSA, EA, MAAA	Markella Roma, FSA, EA, MAAA