

Contract Type	Coverage Period	Claims Period
Auto-Homeowners	1	7
10yr Term	10	10
Immediate Annuity	10	10
10 Yr Endowment	10	10
3 Pay 10 year Endowment	10	10
12 yr cover - payout yr 12	12	1
1 yr cover - 12 yr payout	1	12
1 yr cover - payout yr 12	1	1

**Coverage Period** - Time contract is in force

**Claims Period** - Time from when the first claim arises until the last claim is paid

**NOTE:** For products with an equivalent length coverage and claims period the premium allocation in this example set was based off the amounts due under the contract. This was to avoid repeating the same recognition pattern already recognized in the Claims Period Allocation example set. This applies to the 10 yr term, immediate annuity, 10 yr endowment, and 3 pay 10 year endowment products. To compare premium allocated under each approach please turn to the pages labeled Formula 5 - Premiums Only in both example sets

Formula	Description	General Advantages and Disadvantages	Products with problematic results
<b>Formula 1: Proposed</b>	The sum of premiums allocated to date and claims to date divided by total expected premiums and claims represents a ratio of the cumulative margin to date, which is reduced by previously recognized margin. The Board's intention was to implicitly recognize a portion of the margin related to the protection component represented by premiums over the coverage period and a risk exposure component represented by claims over the handling period(FASB DP, para.87)	<p><b>Advantages:</b> Does not require determination of subjective coefficient - uses observable claim and premium amount. Recognizes margin over claims and coverage period, which many feel is consistent with the economics of the contract.</p> <p><b>Disadvantages:</b> Does not consider different risk profiles. Recognizing claims as paid may not appropriately reflect transfer of risk for claims that are paid long after uncertainty in the claim declines. Allocation of premium hinder comparability because limited pay contracts or unbundled components potentially introduce another subjective measurement.</p>	Structured settlements, limited pay, variable(universal life), long-tail claims. (See attached coverage period allocation examples for Auto-HO, immediate annuity, 10-year endowment, 12 year cover/ payout year 12, 1 year cover payout year 12, 1 year cover 12 year payout) . Changing allocation of premium to claims period does not produce logical results.
<b>Formula 2: Relative Weighting</b>	Weighting factors are applied to all four variables in Formula 1. For contracts where more margin should be recognized in the coverage period(i.e. contracts with less claims variability) an amount greater than .5 is applied to the protection component (premiums). For contracts where less is recognized in the coverage than claims (i.e. riskier contracts) the number is less than .5. The co-efficients must equal 1. In our examples we did apply a high-risk and low-risk set of coefficients to each product regardless of actual risk profile.	<p><b>Advantages:</b> Could mitigate many of the anomalous results described for Formula 1 with a more intuitive coefficient than Formula 3.</p> <p><b>Disadvantages:</b>Weighting introduces additional subjectivity compared to proposed formula since it may not be possible to define relative weight determination. Essentially, the weighting is arbitrary partly because it is not tied to the cash flow distribution.</p>	Weighting factors may hinder comparability or provide earnings management opportunities for all contracts including those that produce logical results under Formula 1.
<b>Formula 3: Risk Weighting</b>	A weighting coefficient is only applied to the claims components of the numerator and denominator, described as <i>n</i> in our examples. This represents the riskiness of the portfolio, riskier contracts would have large <i>n</i> factors. In our examples, we solved for the <i>n</i> factor that would produce results equivalent to Formula 2. This illustrates that the two formulas are mathematically reconcilable (the coefficients in Formula 2 equal 1 whereas the <i>n</i> coefficient in Formula 3 could be any number, and the premium coefficient is always "1")	<p><b>Advantages:</b> May align composite margin with dual margin approach more closely than formula 1 potentially providing benefits similar to an explicit risk margin. Provides flexibility for different products. Risk-based coefficient more closely aligned with risk profile than relative weighting.</p> <p><b>Disadvantages:</b> Calculation of <i>n</i> factor may be difficult to define (what risk measure to use?). Similar to risk margin, different approaches and correlation assumptions may hinder comparability between insurers. Essentially, the weighting is arbitrary partly because it is not tied to the cash flow distribution.</p>	Weighting factors may hinder comparability or provide earnings management opportunities for all contracts including those that produce logical results under Formula 1.
<b>Formula 4: Claims Only</b>	The ratio of margin recognized to date is claims to date(paid or settled) divided by total expected claims. In our examples claims paid was used as the numerator.	<p><b>Advantages:</b> <b>The staff believe this is the most appropriate formula of the five analyzed.</b> There is an accurate depiction of performance for some contracts where claims payment is correlated to risk transfer. Margin is recognized over coverage and claims periods which the staff believe is desirable. Different premium patterns do not cause contradicting results in economically similar contracts as with other formulas.</p> <p><b>Disadvantages:</b> Does not consider coverage period which some believe represents all or part of the satisfaction of the performance obligation implicit in the margin. Formula is viewed as rules-based. The staff recognized that the formula is only based on payment and does not consider the other indicators of release from risk discussed in the memo.</p>	Results become less intuitive as time between decrease in uncertainty of claim amount and claim payment increases. (See 1 year cover 12 year payout for most pronounced example)
<b>Formula 5: Premiums Only</b>	The ratio of margin recognized to date is premiums allocated to date divided by total expected premiums. The premiums were allocated using two methods - 1) the amount of premium evenly allocated across the coverage period and the amount of premium evenly allocated across the claims period. This isolates the difference caused by the premium allocation method in the other formulas.	<p><b>Advantages:</b> Uses observable inputs. Some respondents feel the performance of an insurance contract should only be tied to the coverage period and claims variability is better handle through changes in estimates. The staff do not agree with this assertion and feel that margin realization should reflect release from risk.</p> <p><b>Disadvantages:</b> Inaccurately depicts performance for long-tail claims. Allocation of premium (across coverage period, across claims period, or as paid) produces counterintuitive results for many limited or variable pay contracts (single premium annuity, universal life, etc) Formula is viewed as rules-based.</p>	Disconnect between transfer of risk and realization of margin increases as claim tail or amount of backloaded claims increases. Changing allocation of premium to claims period does not produce logical results either.

Formula	Claims												Total Recognized	
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12		
Auto-HO	<b>Formula 1 - As Proposed</b> 1A(expected claim changes)	\$ 2,426,192	\$ 411,251	\$ 137,084	\$ 108,916	\$ 82,626	\$ 54,458	\$ 28,168	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,248,694
	<b>Formula 2 - Relative Weighting</b> 2A(high coverage period release)	\$ 3,176,574	\$ 36,060	\$ 12,020	\$ 9,550	\$ 7,245	\$ 4,775	\$ 2,470	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,248,694
	2B(high claims period release)	\$ 1,718,664	\$ 765,015	\$ 255,005	\$ 202,607	\$ 153,702	\$ 101,303	\$ 52,398	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,248,694
	<b>Formula 3 - Risk Weighting on Claims</b> 3A(low risk)	\$ 3,025,114	\$ 111,790	\$ 37,263	\$ 29,606	\$ 22,460	\$ 14,803	\$ 7,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,248,694
	3B(high risk)	\$ 1,908,368	\$ 670,163	\$ 223,388	\$ 177,486	\$ 134,645	\$ 88,743	\$ 45,902	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,248,694
<b>Formula 4 - Claims</b> 4	\$ 1,299,477	\$ 974,608	\$ 324,869	\$ 258,115	\$ 195,812	\$ 129,058	\$ 66,754	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,248,694	
<b>Formula 5 - Premiums</b> 5	\$ 3,248,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,248,694	

Formula	Coverage and claims handling period												Total Recognized	
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12		
10-yr Term	<b>Formula 1 - As Proposed</b> 1A(expected claim changes)	\$ 1,348,585	\$ 1,318,763	\$ 1,272,314	\$ 1,237,214	\$ 1,210,559	\$ 1,191,030	\$ 1,196,308	\$ 1,222,963	\$ 1,247,507	\$ 1,261,494	\$ -	\$ -	\$ 12,506,738
	<b>Formula 2 - Relative Weighting</b> 2A(high coverage period release)	\$ 1,740,658	\$ 1,590,975	\$ 1,452,482	\$ 1,340,836	\$ 1,238,133	\$ 1,144,263	\$ 1,069,716	\$ 1,022,061	\$ 976,195	\$ 931,419	\$ -	\$ -	\$ 12,506,738
	2B(high claims period release)	\$ 932,406	\$ 1,029,813	\$ 1,081,070	\$ 1,127,221	\$ 1,181,290	\$ 1,240,673	\$ 1,330,684	\$ 1,436,217	\$ 1,535,500	\$ 1,611,864	\$ -	\$ -	\$ 12,506,738
	<b>Formula 3 - Risk Weighting on Claims</b> 3A(low risk)	\$ 1,665,195	\$ 1,538,583	\$ 1,417,805	\$ 1,320,892	\$ 1,232,826	\$ 1,153,264	\$ 1,094,081	\$ 1,060,729	\$ 1,028,414	\$ 994,949	\$ -	\$ -	\$ 12,506,738
	3B(high risk)	\$ 1,048,897	\$ 1,110,692	\$ 1,134,600	\$ 1,158,009	\$ 1,189,483	\$ 1,226,777	\$ 1,293,071	\$ 1,376,526	\$ 1,454,889	\$ 1,513,793	\$ -	\$ -	\$ 12,506,738
<b>Formula 4 - Claims</b> 4	\$ 660,967	\$ 841,356	\$ 956,337	\$ 1,055,482	\$ 1,162,201	\$ 1,273,050	\$ 1,418,325	\$ 1,575,305	\$ 1,723,334	\$ 1,840,380	\$ -	\$ -	\$ 12,506,738	
<b>Formula 5 - Premiums</b> 5	\$ 1,775,978	\$ 1,615,498	\$ 1,468,713	\$ 1,350,171	\$ 1,240,617	\$ 1,140,050	\$ 1,058,312	\$ 1,003,963	\$ 951,753	\$ 901,683	\$ -	\$ -	\$ 12,506,738	

Formula	Coverage and claims handling period												Total Recognized	
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12		
Immediate Annuity	<b>Formula 1 - As Proposed</b> 1A(expected claim changes)	\$ 9,333	\$ 905	\$ 886	\$ 867	\$ 846	\$ 824	\$ 801	\$ 776	\$ 750	\$ 722	\$ -	\$ -	\$ 16,710
	<b>Formula 2 - Relative Weighting</b> 2A(high coverage period release)	\$ 15,977	\$ 90	\$ 88	\$ 86	\$ 84	\$ 82	\$ 80	\$ 77	\$ 75	\$ 72	\$ -	\$ -	\$ 16,710
	2B(high claims period release)	\$ 4,360	\$ 1,515	\$ 1,484	\$ 1,451	\$ 1,416	\$ 1,380	\$ 1,341	\$ 1,299	\$ 1,255	\$ 1,209	\$ -	\$ -	\$ 16,710
	<b>Formula 3 - Risk Weighting on Claims</b> 3A(low risk)	\$ 14,496	\$ 271	\$ 266	\$ 260	\$ 254	\$ 247	\$ 240	\$ 233	\$ 225	\$ 217	\$ -	\$ -	\$ 16,710
	3B(high risk)	\$ 5,593	\$ 1,363	\$ 1,336	\$ 1,306	\$ 1,275	\$ 1,242	\$ 1,207	\$ 1,169	\$ 1,130	\$ 1,088	\$ -	\$ -	\$ 16,710
	<b>Formula 4 - Claims</b> 4	\$ 1,856	\$ 1,822	\$ 1,785	\$ 1,745	\$ 1,704	\$ 1,659	\$ 1,612	\$ 1,562	\$ 1,510	\$ 1,454	\$ -	\$ -	\$ 16,710
<b>Formula 5 - Premiums</b> 5	\$ 16,710	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,710	

Formula	Coverage and claims handling period												Total Recognized	
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12		
10-yr endowment	<b>Formula 1 - As Proposed</b> 1A(expected claim changes)	\$ 170	\$ 157	\$ 150	\$ 144	\$ 137	\$ 129	\$ 121	\$ 113	\$ 105	\$ 834	\$ -	\$ -	\$ 2,058
	<b>Formula 2 - Relative Weighting</b> 2A(high coverage period release)	\$ 317	\$ 262	\$ 231	\$ 209	\$ 191	\$ 175	\$ 163	\$ 153	\$ 145	\$ 211	\$ -	\$ -	\$ 2,058
	2B(high claims period release)	\$ 59	\$ 78	\$ 88	\$ 95	\$ 96	\$ 94	\$ 89	\$ 83	\$ 74	\$ 1,303	\$ -	\$ -	\$ 2,058
	<b>Formula 3 - Risk Weighting on Claims</b> 3A(low risk)	\$ 285	\$ 239	\$ 213	\$ 195	\$ 179	\$ 165	\$ 154	\$ 144	\$ 136	\$ 349	\$ -	\$ -	\$ 2,058
	3B(high risk)	\$ 86	\$ 97	\$ 103	\$ 107	\$ 106	\$ 103	\$ 97	\$ 90	\$ 82	\$ 1,186	\$ -	\$ -	\$ 2,058
	<b>Formula 4 - Claims</b> 4	\$ 2	\$ 38	\$ 57	\$ 70	\$ 75	\$ 76	\$ 73	\$ 67	\$ 59	\$ 1,540	\$ -	\$ -	\$ 2,058
<b>Formula 5 - Premiums</b> 5	\$ 334	\$ 273	\$ 240	\$ 216	\$ 197	\$ 181	\$ 168	\$ 157	\$ 149	\$ 143	\$ -	\$ -	\$ 2,058	

Formula	Coverage and claims handling period												Total Recognized
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	
<b>Formula 1 - As Proposed</b>													
1A(expected claim changes)	\$ 536	\$ 521	\$ 506	\$ 45	\$ 44	\$ 42	\$ 41	\$ 40	\$ 40	\$ 926	\$ -	\$ -	\$ 2,741
<b>Formula 2 - Relative Weighting</b>													
2A(high coverage period release)	\$ 1,024	\$ 848	\$ 750	\$ 5	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 93	\$ -	\$ -	\$ 2,741
2B(high claims period release)	\$ 179	\$ 282	\$ 328	\$ 74	\$ 72	\$ 70	\$ 68	\$ 67	\$ 66	\$ 1,535	\$ -	\$ -	\$ 2,741
<b>Formula 3 - Risk Weighting on Claims</b>													
3A(low risk)	\$ 914	\$ 774	\$ 695	\$ 14	\$ 13	\$ 13	\$ 12	\$ 12	\$ 12	\$ 281	\$ -	\$ -	\$ 2,741
3B(high risk)	\$ 267	\$ 341	\$ 372	\$ 67	\$ 65	\$ 63	\$ 62	\$ 61	\$ 59	\$ 1,385	\$ -	\$ -	\$ 2,741
<b>Formula 4 - Claims</b>													
4	\$ 2	\$ 164	\$ 239	\$ 89	\$ 86	\$ 84	\$ 82	\$ 80	\$ 79	\$ 1,836	\$ -	\$ -	\$ 2,741
<b>Formula 5 - Premiums</b>													
5	\$ 1,079	\$ 884	\$ 778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,741

Formula	Coverage period												Total Recognized
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	
<b>Formula 1 - As Proposed</b>													
1A(expected claim changes)	\$ 9,972	\$ 9,972	\$ 9,972	\$ 9,972	\$ 9,972	\$ 9,972	\$ 9,972	\$ 9,972	\$ 9,972	\$ 9,972	\$ 9,972	\$ 141,605	\$ 251,300
<b>Formula 2 - Relative Weighting</b>													
2A(high coverage period release)	\$ 19,796	\$ 19,796	\$ 19,796	\$ 19,796	\$ 19,796	\$ 19,796	\$ 19,796	\$ 19,796	\$ 19,796	\$ 19,796	\$ 19,796	\$ 33,548	\$ 251,300
2B(high claims period release)	\$ 3,222	\$ 3,222	\$ 3,222	\$ 3,222	\$ 3,222	\$ 3,222	\$ 3,222	\$ 3,222	\$ 3,222	\$ 3,222	\$ 3,222	\$ 215,860	\$ 251,300
<b>Formula 3 - Risk Weighting on Claims</b>													
3A(low risk)	\$ 17,521	\$ 17,521	\$ 17,521	\$ 17,521	\$ 17,521	\$ 17,521	\$ 17,521	\$ 17,521	\$ 17,521	\$ 17,521	\$ 17,521	\$ 58,569	\$ 251,300
3B(high risk)	\$ 4,851	\$ 4,851	\$ 4,851	\$ 4,851	\$ 4,851	\$ 4,851	\$ 4,851	\$ 4,851	\$ 4,851	\$ 4,851	\$ 4,851	\$ 197,939	\$ 251,300
<b>Formula 4 - Claims</b>													
4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 251,300	\$ 251,300
<b>Formula 5 - Premiums</b>													
5	\$ 20,942	\$ 20,942	\$ 20,942	\$ 20,942	\$ 20,942	\$ 20,942	\$ 20,942	\$ 20,942	\$ 20,942	\$ 20,942	\$ 20,942	\$ 20,942	\$ 251,300

3 pay 10 yr endorsement

12 yr cover/payout yr 12



Formula	Claims												Total Recognized
	Coverage												
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	
<b>Formula 1 - As Proposed</b> 1A(expected claim changes)	\$ 816,600	\$ 679,516	\$ 405,349	\$ 377,181	\$ 350,891	\$ 322,723	\$ 296,433	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,248,694
<b>Formula 2 - Relative Weighting</b> 2A(high coverage period release)	\$ 495,008	\$ 482,988	\$ 458,948	\$ 9,550	\$ 454,173	\$ 451,703	\$ 449,398	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,248,694
2B(high claims period release)	\$ 1,119,826	\$ 864,821	\$ 354,811	\$ 302,413	\$ 253,508	\$ 201,110	\$ 152,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,248,694
<b>Formula 3 - Risk Weighting on Claims</b> 3A(low risk)	\$ 559,919	\$ 522,656	\$ 448,129	\$ 440,472	\$ 433,326	\$ 425,669	\$ 418,523	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,248,694
3B(high risk)	\$ 1,038,525	\$ 815,137	\$ 368,362	\$ 322,460	\$ 279,618	\$ 233,717	\$ 190,875	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,248,694
<b>Formula 4 - Claims</b> 4	\$ 1,299,477	\$ 974,608	\$ 324,869	\$ 258,115	\$ 195,812	\$ 129,058	\$ 66,754	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,248,694
<b>Formula 5 - Premiums</b> 5	\$ 464,099	\$ 464,099	\$ 464,099	\$ 464,099	\$ 464,099	\$ 464,099	\$ 464,099	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,248,694

Formula	Coverage and claims handling period												Total Recognized
	Coverage and claims handling period												
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	
<b>Formula 1 - As Proposed</b> 1A(expected claim changes)	\$ 1,024,634	\$ 1,093,779	\$ 1,137,852	\$ 1,175,855	\$ 1,216,761	\$ 1,259,251	\$ 1,314,936	\$ 1,375,108	\$ 1,431,849	\$ 1,476,713	\$ -	\$ -	\$ 12,506,738
<b>Formula 2 - Relative Weighting</b> 2A(high coverage period release)	\$ 1,231,993	\$ 1,237,708	\$ 1,241,350	\$ 1,244,491	\$ 1,247,871	\$ 1,251,383	\$ 1,255,984	\$ 1,260,957	\$ 1,265,646	\$ 1,269,354	\$ -	\$ -	\$ 12,506,738
2B(high claims period release)	\$ 804,525	\$ 941,000	\$ 1,027,990	\$ 1,102,999	\$ 1,183,738	\$ 1,267,603	\$ 1,377,512	\$ 1,496,277	\$ 1,608,270	\$ 1,696,822	\$ -	\$ -	\$ 12,506,738
<b>Formula 3 - Risk Weighting on Claims</b> 3A(low risk)	\$ 1,192,083	\$ 1,210,006	\$ 1,221,430	\$ 1,231,280	\$ 1,241,883	\$ 1,252,897	\$ 1,267,331	\$ 1,282,928	\$ 1,297,635	\$ 1,309,265	\$ -	\$ -	\$ 12,506,738
3B(high risk)	\$ 866,135	\$ 983,764	\$ 1,058,741	\$ 1,123,392	\$ 1,192,982	\$ 1,265,265	\$ 1,359,997	\$ 1,462,361	\$ 1,558,888	\$ 1,635,212	\$ -	\$ -	\$ 12,506,738
<b>Formula 4 - Claims</b> 4	\$ 660,967	\$ 841,356	\$ 956,337	\$ 1,055,482	\$ 1,162,201	\$ 1,273,050	\$ 1,418,325	\$ 1,575,305	\$ 1,723,334	\$ 1,840,380	\$ -	\$ -	\$ 12,506,738
<b>Formula 5 - Premiums</b> 5	\$ 1,250,674	\$ 1,250,674	\$ 1,250,674	\$ 1,250,674	\$ 1,250,674	\$ 1,250,674	\$ 1,250,674	\$ 1,250,674	\$ 1,250,674	\$ 1,250,674	\$ -	\$ -	\$ 12,506,738

Formula	Coverage and claims handling period										Year 11	Year 12	Total Recognized
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10			
<b>Formula 1 - As Proposed</b> 1A(expected claim changes)	\$ 1,763	\$ 1,746	\$ 1,727	\$ 1,708	\$ 1,687	\$ 1,665	\$ 1,642	\$ 1,617	\$ 1,591	\$ 1,563	\$ -	\$ -	\$ 16,710
<b>Formula 2 - Relative Weighting</b> 2A(high coverage period release)	\$ 1,680	\$ 1,678	\$ 1,677	\$ 1,675	\$ 1,673	\$ 1,670	\$ 1,668	\$ 1,666	\$ 1,663	\$ 1,660	\$ -	\$ -	\$ 16,710
2B(high claims period release)	\$ 1,825	\$ 1,796	\$ 1,766	\$ 1,733	\$ 1,698	\$ 1,661	\$ 1,622	\$ 1,581	\$ 1,537	\$ 1,490	\$ -	\$ -	\$ 16,710
<b>Formula 3 - Risk Weighting on Claims</b> 3A(low risk)	\$ 1,699	\$ 1,693	\$ 1,688	\$ 1,682	\$ 1,676	\$ 1,669	\$ 1,662	\$ 1,655	\$ 1,647	\$ 1,639	\$ -	\$ -	\$ 16,710
3B(high risk)	\$ 1,810	\$ 1,784	\$ 1,756	\$ 1,727	\$ 1,695	\$ 1,662	\$ 1,627	\$ 1,590	\$ 1,550	\$ 1,508	\$ -	\$ -	\$ 16,710
<b>Formula 4 - Claims</b> 4	\$ 1,856	\$ 1,822	\$ 1,785	\$ 1,745	\$ 1,704	\$ 1,659	\$ 1,612	\$ 1,562	\$ 1,510	\$ 1,454	\$ -	\$ -	\$ 16,710
<b>Formula 5 - Premiums</b> 5	\$ 1,671	\$ 1,671	\$ 1,671	\$ 1,671	\$ 1,671	\$ 1,671	\$ 1,671	\$ 1,671	\$ 1,671	\$ 1,671	\$ -	\$ -	\$ 16,710

Formula	Coverage and claims handling period										Year 11	Year 12	Total Recognized
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10			
<b>Formula 1 - As Proposed</b> 1A(expected claim changes)	\$ 105	\$ 123	\$ 132	\$ 139	\$ 141	\$ 142	\$ 140	\$ 137	\$ 133	\$ 865	\$ -	\$ -	\$ 2,058
<b>Formula 2 - Relative Weighting</b> 2A(high coverage period release)	\$ 196	\$ 198	\$ 199	\$ 199	\$ 199	\$ 199	\$ 199	\$ 199	\$ 199	\$ 271	\$ -	\$ -	\$ 2,058
2B(high claims period release)	\$ 37	\$ 66	\$ 82	\$ 93	\$ 98	\$ 98	\$ 96	\$ 91	\$ 84	\$ 1,314	\$ -	\$ -	\$ 2,058
<b>Formula 3 - Risk Weighting on Claims</b> 3A(low risk)	\$ 176	\$ 181	\$ 184	\$ 186	\$ 187	\$ 187	\$ 186	\$ 185	\$ 184	\$ 403	\$ -	\$ -	\$ 2,058
3B(high risk)	\$ 54	\$ 80	\$ 95	\$ 104	\$ 108	\$ 109	\$ 107	\$ 102	\$ 96	\$ 1,202	\$ -	\$ -	\$ 2,058
<b>Formula 4 - Claims</b> 4	\$ 2	\$ 38	\$ 57	\$ 70	\$ 75	\$ 76	\$ 73	\$ 67	\$ 59	\$ 1,540	\$ -	\$ -	\$ 2,058
<b>Formula 5 - Premiums</b> 5	\$ 206	\$ 206	\$ 206	\$ 206	\$ 206	\$ 206	\$ 206	\$ 206	\$ 206	\$ 206	\$ -	\$ -	\$ 2,058

Immediate Annuity

10-yr endowment



Formula	Coverage and claims handling period										Year 11	Year 12	Total Recognized
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10			
<b>Formula 1 - As Proposed</b> 1A(expected claim changes)	\$ 137	\$ 218	\$ 257	\$ 181	\$ 179	\$ 178	\$ 177	\$ 176	\$ 176	\$ 1,062	\$ -	\$ -	\$ 2,741
<b>Formula 2 - Relative Weighting</b> 2A(high coverage period release)	\$ 260	\$ 269	\$ 272	\$ 265	\$ 265	\$ 264	\$ 264	\$ 264	\$ 264	\$ 354	\$ -	\$ -	\$ 2,741
2B(high claims period release)	\$ 47	\$ 182	\$ 245	\$ 119	\$ 117	\$ 115	\$ 113	\$ 112	\$ 111	\$ 1,580	\$ -	\$ -	\$ 2,741
<b>Formula 3 - Risk Weighting on Claims</b> 3A(low risk)	\$ 233	\$ 257	\$ 269	\$ 246	\$ 245	\$ 245	\$ 245	\$ 244	\$ 244	\$ 513	\$ -	\$ -	\$ 2,741
3B(high risk)	\$ 69	\$ 191	\$ 248	\$ 134	\$ 132	\$ 131	\$ 129	\$ 128	\$ 127	\$ 1,452	\$ -	\$ -	\$ 2,741
<b>Formula 4 - Claims</b> 4	\$ 2	\$ 164	\$ 239	\$ 89	\$ 86	\$ 84	\$ 82	\$ 80	\$ 79	\$ 1,836	\$ -	\$ -	\$ 2,741
<b>Formula 5 - Premiums</b> 5	\$ 274	\$ 274	\$ 274	\$ 274	\$ 274	\$ 274	\$ 274	\$ 274	\$ 274	\$ 274	\$ -	\$ -	\$ 2,741

Formula	Coverage period										Claims		Total Recognized		
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12			
<b>Formula 1 - As Proposed</b> 1A(expected claim changes)	\$ 10,803	\$ 10,803	\$ 10,803	\$ 10,803	\$ 10,803	\$ 10,803	\$ 10,803	\$ 10,803	\$ 10,803	\$ 10,803	\$ -	\$ 10,803	\$ -	\$ 130,470	\$ 249,306
<b>Formula 2 - Relative Weighting</b> 2A(high coverage period release)	\$ 21,445	\$ 21,445	\$ 21,445	\$ 21,445	\$ 21,445	\$ 21,445	\$ 21,445	\$ 21,445	\$ 21,445	\$ 21,445	\$ -	\$ 21,445	\$ -	\$ 33,948	\$ 269,845
2B(high claims period release)	\$ 3,490	\$ 3,490	\$ 3,490	\$ 3,490	\$ 3,490	\$ 3,490	\$ 3,490	\$ 3,490	\$ 3,490	\$ 3,490	\$ -	\$ 3,490	\$ -	\$ 196,798	\$ 235,191
<b>Formula 3 - Risk Weighting on Claims</b> 3A(low risk)	\$ 18,981	\$ 18,981	\$ 18,981	\$ 18,981	\$ 18,981	\$ 18,981	\$ 18,981	\$ 18,981	\$ 18,981	\$ 18,981	\$ -	\$ 18,981	\$ -	\$ 56,298	\$ 265,089
3B(high risk)	\$ 5,255	\$ 5,255	\$ 5,255	\$ 5,255	\$ 5,255	\$ 5,255	\$ 5,255	\$ 5,255	\$ 5,255	\$ 5,255	\$ -	\$ 5,255	\$ -	\$ 180,790	\$ 238,598
<b>Formula 4 - Claims</b> 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 331,795	\$ 331,795
<b>Formula 5 - Premiums</b> 5	\$ 22,687	\$ 22,687	\$ 22,687	\$ 22,687	\$ 22,687	\$ 22,687	\$ 22,687	\$ 22,687	\$ 22,687	\$ 22,687	\$ -	\$ 22,687	\$ -	\$ 22,687	\$ 272,242

3 pay 10 yr endowment

12 yr cover/payout yr 12

Formula	Coverage											Claims				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Total Recognized			
<b>Formula 1 - As Proposed</b> 1A(expected claim changes)	\$ 12,568	\$ 12,568	\$ 12,568	\$ 12,568	\$ 12,568	\$ 12,568	\$ 12,568	\$ 12,568	\$ 12,568	\$ 12,568	\$ 12,568	\$ -	\$ 12,568	\$ -	\$ 193,547	\$ 331,795
<b>Formula 2 - Relative Weighting</b> 2A(high coverage period release)	\$ 26,007	\$ 26,007	\$ 26,007	\$ 26,007	\$ 26,007	\$ 26,007	\$ 26,007	\$ 26,007	\$ 26,007	\$ 26,007	\$ 26,007	\$ -	\$ 26,007	\$ -	\$ 45,718	\$ 331,795
2B(high claims period release)	\$ 3,950	\$ 3,950	\$ 3,950	\$ 3,950	\$ 3,950	\$ 3,950	\$ 3,950	\$ 3,950	\$ 3,950	\$ 3,950	\$ 3,950	\$ -	\$ 3,950	\$ -	\$ 288,346	\$ 331,795
<b>Formula 3 - Risk Weighting on Claims</b> 3A(low risk)	\$ 22,795	\$ 22,795	\$ 22,795	\$ 22,795	\$ 22,795	\$ 22,795	\$ 22,795	\$ 22,795	\$ 22,795	\$ 22,795	\$ 22,795	\$ -	\$ 22,795	\$ -	\$ 81,053	\$ 331,795
3B(high risk)	\$ 5,987	\$ 5,987	\$ 5,987	\$ 5,987	\$ 5,987	\$ 5,987	\$ 5,987	\$ 5,987	\$ 5,987	\$ 5,987	\$ 5,987	\$ -	\$ 5,987	\$ -	\$ 265,942	\$ 331,795
<b>Formula 4 - Claims</b> 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 331,795	\$ 331,795
<b>Formula 5 - Premiums</b> 5	\$ 27,650	\$ 27,650	\$ 27,650	\$ 27,650	\$ 27,650	\$ 27,650	\$ 27,650	\$ 27,650	\$ 27,650	\$ 27,650	\$ 27,650	\$ -	\$ 27,650	\$ -	\$ 27,650	\$ 331,795

Formula	Coverage											Claims period				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Total Recognized			
<b>Formula 1 - As Proposed</b> 1A(expected claim changes)	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ -	\$ 9,473	\$ -	\$ 9,473	\$ 113,675
<b>Formula 2 - Relative Weighting</b> 2A(high coverage period release)	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ -	\$ 9,473	\$ -	\$ 9,473	\$ 113,675
2B(high claims period release)	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ -	\$ 9,473	\$ -	\$ 9,473	\$ 113,675
<b>Formula 3 - Risk Weighting on Claims</b> 3A(low risk)	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ -	\$ 9,473	\$ -	\$ 9,473	\$ 113,675
3B(high risk)	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ -	\$ 9,473	\$ -	\$ 9,473	\$ 113,675
<b>Formula 4 - Claims</b> 4	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ -	\$ 9,473	\$ -	\$ 9,473	\$ 113,675
<b>Formula 5 - Premiums</b> 5	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ 9,473	\$ -	\$ 9,473	\$ -	\$ 9,473	\$ 113,675