

EDUCATION AND EXAMINATION COMMITTEE
OF THE
SOCIETY OF ACTUARIES

COMPANY/SPONSOR PERSPECTIVE (CSP)
GROUP AND HEALTH STUDY NOTE

CASE STUDY

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The Education and Examination Committee provides study notes to persons preparing for the examinations of the Society of Actuaries. They are intended to acquaint candidates with some of the theoretical and practical considerations involved in the various subjects. While varying opinions are presented where appropriate, limits on the length of the material and other considerations sometimes prevent the inclusion of all possible opinions. These study notes do not, however, represent any official opinion, interpretations or endorsement of the Society of Actuaries or its Education and Examination Committee. The Society is grateful to the authors for their contributions in preparing the study notes.

COURSE: GROUP HEALTH – COMPANY SPONSORED PERSPECTIVE

I. Introduction 2

II. A Tale of Two Companies 2

- Great Expectations Insurance Company 2
- Copperfield Insurance Company 3

III. Prospective Client 3

IV. Correspondences 4

I. INTRODUCTION

This case study starts with general information followed by internal and external correspondences which includes more specific information.

All numbers found in this case study are for illustration only and may not be representative of true costs or actual relationships. Any similarities with actual company results are purely coincidental.

II. A TALE OF TWO COMPANIES

Great Expectations Insurance Company

Great Expectations Insurance Company (Great Expectations) is a large insurance company operating exclusively in the United States. The company's corporate vision is to be a leader in the insurance industry, to earn a competitive return for its stockholders, to offer a good value to its policy holders while operating in a financially sustainable way, and to attract and retain valuable employees.

Great Expectations has several divisions including a managed care organization, Barnaby Rudge Inc. (BRI), operating in a single location.

Great Expectations currently offers a full line of products, including but not limited to:

- Indemnity and preferred provider organization (PPO) group medical benefits, including high-deductible health plans (HDHPs)
- Group life,
- Group long-term-disability, and
- Specialty products.

Great Expectations has 5,000 employees supporting four primary business divisions:

- Administrative Services Only (ASO),
- Medical Division (including all Indemnity, PPO, and Managed Care areas),
- Group Life and Disability (GLD), and
- Ancillary Products.

Great Expectations has a strong reputation in the self-insured and fully insured group major medical market. The company has spent considerable resources in developing its own preferred provider networks across the country. As a result, Great Expectations is strongly positioned nationally as a provider of ASO and fully insured group insurance products.

Copperfield Insurance Company

Copperfield Insurance Company (Copperfield) is a large insurance company operating exclusively in Canada. Its corporate vision is the same as Great Expectations: to be a leader in the insurance industry, to earn a competitive return for its stockholders, to offer a good value to its policy holders while operating in a financially sustainable way, and to attract and retain valuable employees.

Copperfield's primary product offerings include:

- Supplemental medical benefits,
- Group life,
- Disability insurance, and
- Ancillary products, including dental and vision.

Copperfield employs 2,000 people throughout Canada.

Copperfield also has a strong reputation in their markets. However, it is interested in growing into other markets and possibly internationally.

III. PROSPECTIVE CLIENT

Dombey and Sons, Inc. (Dombey) is a firm specializing in the wholesale and retail of manufactured products. They currently operate exclusively in the United States but want to expand into Canada. They employ approximately 1,000 union employees and 500 non-union employees. Their consultant has approached Great Expectations about providing a number of employee benefit plans, including medical, group life, and long-term disability.

Dombey currently offers its union employees a choice of two medical plans on a two-tier basis. The majority of the employees are enrolled in a \$250 deductible, 80%/60% coinsurance PPO plan. They offer their non-union employees only one medical plan - a high deductible health plan with a health savings account. Dombey provides all employees life insurance coverage of one times salary at no cost to the employee. Employees may elect to "buy-up" to a coverage level of 1.5, 2.0, 2.5, or 3.0 times salary. Dombey self-insures its short-term disability program and fully-insures its long-term disability program. The LTD program has a three-month elimination period that corresponds to the maximum possible duration of the STD program.

From: Charles Dickens <cdickens@greatexp.com>
To: You
Sent: March 3, 2010
Subject: Welcome Aboard

Hello. I hope you have enjoyed your initial few days here.

While I know you are busy with your day-to-day work, there are two major initiatives with which I need you to take a lead role.

First, as you know, we currently offer only group insurance. Due to market pressures and the recent political activity, the Board and I are very keen on expanding into all lines of individual insurance. However, we have little experience in the individual market place. We would like you to lead a group of senior executives to explore this expansion. In particular, we'd like your team's review to include (but not be limited to) how our current expertise in group products may overlap with the individual marketplace, potential marketing approaches, and any financial concerns about this initiative.

Second, and possibly more significantly, I have been approached by the CEO of Copperfield Insurance Company, located in Canada, for a possible merger. They are interested in expanding into the U.S. and we could gain from their product expertise.

As you can imagine, this potential merger is highly confidential. You will be joining me as Great Expectations' representatives through the due diligence and, if necessary, negotiations of this possible merger. I have attached Copperfield's financial information for your review.

Again, welcome aboard. This is certainly an exciting time to be at Great Expectations.

Copperfield Insurance Company
2009 Annual Report

Consolidated Statement of Operations

(In millions, except per share data)

	<u>December 31</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Revenues</u>			
Premium Income			
Supplemental Medical	\$ 4,023	\$ 3,784	\$ 3,129
Group Life	5,888	6,071	6,211
Disability	2,572	3,420	5,280
Ancillary Products	1,234	967	957
Total	\$ 13,717	\$ 14,242	\$ 15,577
Fee Income	2,553	3,118	3,011
Other revenue	-	-	-
Total operating revenue	16,270	17,360	18,588
Net investment income	3,178	5,348	5,707
Other realized (losses) gains	-	-	-
Total non-operating revenue	3,178	5,348	5,707
Total revenues	\$ 19,448	\$ 22,708	\$ 24,295
<u>Policy Benefits and Expenses</u>			
Payments to Policyholders			
Supplemental Medical	\$ 3,359	\$ 3,123	\$ 2,583
Group Life	3,592	3,946	3,913
Disability	1,517	2,120	3,326
Ancillary Products	963	725	794
Total	\$ 9,431	\$ 9,915	\$ 10,617
Commissions	1,941	2,233	2,671
Operating Expenses	4,084	4,315	4,859
Premium Taxes	274	285	312
Interest expense	350	323	345
Amortization of other intangible assets	265	274	260
Total expenses	\$ 16,345	\$ 17,344	\$ 19,063
Income before income tax expense	3,103	5,364	5,232
Income tax expense	621	1,073	1,046
<u>Net income</u>	\$ 2,482	\$ 4,291	\$ 4,185
<u>Net income per share</u>			
Basic	\$ 2.66	\$ 4.33	\$ 3.73
Diluted	\$ 2.70	\$ 4.73	\$ 3.84
<u>Average Exchange Rates*</u>			
U.S. dollars	0.81	0.83	1.07
U.K. pounds	1.74	1.96	2.15

* e.g., on 12/31/2007, \$1 Can = \$1.07 US

Copperfield Insurance Company
2009 Annual Report

Consolidated Balance Sheet

(In millions, except share data)

	December 31	
	2009	2008
<u>Assets</u>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 9,880	\$ 8,770
Premium Receivables	8	8
Investments available-for-sale, at fair value:		
Fixed maturity securities	1,169	1,097
Equity securities	256	242
Other invested assets, current	693	722
Other receivables	827	745
Income taxes receivable	53	54
Net due from subsidiaries	867	1,197
Securities lending collateral	583	854
Deferred tax assets, net	250	248
Other current assets	1	1
Total current assets	\$ 14,587	\$ 13,938
 <i>Long-term investments available-for-sale, at fair value:</i>		
Fixed maturity securities	534	234
Equity securities	6	7
Other invested assets, long-term	456	495
Property and equipment, net	4	3
Deferred tax assets, net, non-current	234	227
Investment in subsidiaries	5,544	3,456
Other noncurrent assets	114	37
Total Long Term Assets	\$ 6,892	\$ 4,459
 Total assets	 \$ 21,479	 \$ 18,397
 <u>Liabilities and shareholders equity</u>		
Liabilities		
Actuarial and Policy Liabilities	8,230	7,564
Amounts on deposit	678	876
Deferred Gains	4	5
Long-term debt	345	456
Other Liabilities	795	856
Total liabilities	10,052	9,757
 Shareholders equity		
Preferred stock	-	-
Common stock	5	5
Additional paid-in capital	326	109
Retained earnings	1,865	1,777
Accumulated Income	9,231	6,749
Total shareholders equity	11,427	8,640
 Total liabilities and shareholders equity	 \$ 21,479	 \$ 18,397

From: Candy Cruncher <ccrunche@greatexp.com>
To: You
Sent: March 3, 2010
Subject: Great Expectations Financial Information

Hello.

I am your administrative assistant. Per Mr. Dickens's request, I have attached our latest financial information and Statement of Actuarial Opinion for this past year from our consulting actuary.

Please let me know if you need anything else or need help finding anything.

Candy

Attached:

- Great Expectations Income Statement
- Great Expectations Balance Sheet
- Great Expectations Selected Experience Data

Great Expectations Insurance Company
10-K
02/22/2010

Income Statement

(In millions, except per share data)

	December 31		
	2009	2008	2007
<u>Revenues</u>			
Premiums	\$ 51,474	\$ 49,719	\$ 46,745
Administrative fees	3,497	3,455	3,100
Other revenue	561	562	530
Total operating revenue	55,532	53,736	50,375
Net investment income	(1,098)	929	790
Other realized (losses) gains	-	-	-
Total non-operating revenue	(1,098)	929	790
Total revenues	\$ 54,434	\$ 54,665	\$ 51,165
<u>Expenses</u>			
Benefit expense	45,408	42,978	39,695
Selling expense	2,581	2,478	2,309
General and administrative expense	6,865	6,559	6,035
Total operating expenses	54,854	52,015	48,039
Other Expenses	440	389	397
Interest expense	435	406	365
Amortization of other intangible assets	265	274	260
Impairment of intangible assets	131	-	-
Total non-operating expenses	1,271	1,069	1,022
Total expenses	\$ 56,125	\$ 53,084	\$ 49,061
Income before income tax expense	(1,691)	1,581	2,104
Income tax expense at 35%	(592)	553	736
Net income	\$ (1,099)	\$ 1,028	\$ 1,368
<u>Net income per share</u>			
Basic	\$ (2.47)	\$ 2.06	\$ 2.49
Diluted	\$ (2.40)	\$ 2.14	\$ 2.42
<u>Shares Outstanding</u>			
Common/Preferred	444,902,956	498,009,660	548,302,081
<u>Tax Rate:</u>	35.0%		

Great Expectations Insurance Company
10-K
02/22/2010

Balance Sheet

(In millions, except share data)

	December 31	
	2009	2008
<u>Assets</u>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 5,327	\$ 5,258
Premium Receivables	7	2
Investments available-for-sale, at fair value:		
Fixed maturity securities	16	49
Equity securities	39	306
Other invested assets, current	7	8
Other receivables	10	14
Income taxes receivable	161	67
Net due from subsidiaries	1,011	356
Securities lending collateral	17	188
Deferred tax assets, net	24	3
Other current assets	76	95
Total current assets	\$ 6,695	\$ 6,346
<i>Long-term investments available-for-sale, at fair value:</i>		
Fixed maturity securities	223	1,449
Equity securities	6	7
Other invested assets, long-term	299	400
Property and equipment, net	5	5
Deferred tax assets, net, non-current	356	332
Investment in subsidiaries	20,477	21,379
Other noncurrent assets	114	37
Total Long Term Assets	\$ 21,480	\$ 23,609
Total assets	\$ 28,175	\$ 29,955
<u>Liabilities and shareholders equity</u>		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	206	-
Securities lending payable	17	192
Current portion of long-term debt	820	-
Other current liabilities	150	95
Total current liabilities	1,193	287
Long-term debt	6,616	7,759
Other noncurrent liabilities	218	759
Total liabilities	8,027	8,805
Shareholders equity		
Preferred stock	-	-
Common stock	5	5
Additional paid-in capital	16,064	17,014
Retained earnings	4,852	3,805
Accumulated Income	(773)	326
Total shareholders equity	20,148	21,150
Total liabilities and shareholders equity	\$ 28,175	\$ 29,955

Great Expectations Insurance Company
10-K
02/22/2010

Selected Experience Data

Enrollment *

	December 31		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
(In thousands)			
<u>Insured Medical Membership</u>			
Large Group (>50 employees)	6,837	7,167	7,234
Small Group (2 - 50 employees)	2,339	2,553	2,759
<u>Group Life</u>	5,074	5,037	4,921
<u>Group LTD</u>	779	702	662
<u>Specialty Products</u>			
Dental	5,598	5,607	5,648
Vision	4,332	4,785	5,002
Specific Disease	2,001	1,865	1,773
<u>Self Funded Membership</u>	10,427	10,817	10,191

* Membership is defined as all covered individuals (i.e., all employees plus dependents)

Premium

	December 31		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
(In millions)			
<u>Insured Medical Membership</u>			
Large Group (>50 employees)	33,494	32,510	30,383
Small Group (2 - 50 employees)	12,803	12,259	11,621
<u>Group Life</u>	280	264	246
<u>Group LTD</u>	449	386	346
<u>Specialty Products</u>			
Dental	3,734	3,562	3,417
Vision	607	638	635
Specific Disease	107	101	97
<u>Self Insured Membership</u>	3,497	3,455	3,100

Claims

	December 31		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
(In millions)			
<u>Insured Medical Membership</u>			
Large Group (>50 employees)	29,560	28,473	25,997
Small Group (2 - 50 employees)	11,779	10,542	9,878
<u>Group Life</u>	224	216	202
<u>Group LTD</u>	341	301	267
<u>Specialty Products</u>			
Dental	2,983	2,914	2,812
Vision	446	459	476
Specific Disease	74	73	63

From: Ebenezer Scrooge <escrooge@greatexp.com>
To: You
Sent: March 3, 2010
Subject: Actuarial Questions

I'm the CFO, Mr. Scrooge. People call me Mr. Scrooge.

I'm concerned about some questions our auditors have been asking about our year-end reserves for Barnaby Rudge, Inc. (BRI). I've attached our former consulting actuary's statement of opinion for your information.

My expectation is that you will review and get back to me – soon!

Barnaby Rudge, Inc.
Actuarial Statement of Opinion

I, Mr. Fagan, FSA, MAAA am associated with Sowerberry's Consulting Firm. I am a member of the American Academy of Actuaries and have been retained by Barnaby Rudge, Inc. (BRI) with regard to their aggregate reserves.

I have examined the actuarial assumptions and actuarial methods used in determining the contract reserves as shown in the annual statement of the company, as prepared for filing with state regulatory officials, as of December 31, 2009.

Aggregate Reserve for Accident and Health Contracts: \$151,979,000

In forming my opinion on BRI's reserves, I evaluated that data for reasonableness and consistency. I also reconciled that data to the Company's current annual statement. In other respects, my examination included such review of the actuarial assumptions and actuarial methods used and such tests of the calculations as I considered necessary.

In my opinion the amounts carried in the balance sheet on account of the actuarial items identified above:

- A. Are computed in accordance with commonly accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles,
- B. Are based on actuarial assumptions which are in accordance with or stronger than those called for in contract provisions,
- C. Meet the requirements of the insurance laws of (state of domicile),
- D. Make a good and sufficient provision for all unmatured obligations of the Company guaranteed under the terms of its contracts,
- E. Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year end, and
- F. Include provision for all actuarial reserves and related statement items which ought to be established.

Actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis of this statement of opinion."

From: Kate Nickleby <knickleb@greatexp.com>
To: You
Sent: March 4, 2010
Subject: Reserving Information

Hello.

I am one of your actuarial students. Per your request to my supervisor, I am providing you some additional information on Barnaby Rudge's (BRI) Incurred but not Paid (IBNP) reserves. As of December 31, 2009, the IBNP was \$151,979,000 (previously \$192,180,000 as of December 31, 2008). For clarity, these reserves include due and unpaid claims, IBNR, and claims in course of settlement. I calculated these using the combined medical and pharmacy claims data and all product types.

Please let me know if you have any additional questions. Note, though, that I am out Tuesdays and Thursdays studying for exams.

Kate

Barnaby Rudge, Inc.

Summary Output				
6-month Average Factors				
Month	Claims Paid (in \$1,000s)	Incurred & Paid (in \$1,000s)	Completion Factors	Members (in 1,000s)
Jan-07		\$45,500	1.0000	930
Feb-07		\$41,400	1.0000	943
Mar-07		\$46,900	1.0000	944
Apr-07		\$46,700	1.0000	945
May-07		\$43,700	1.0000	944
Jun-07		\$43,500	1.0000	944
Jul-07		\$43,700	1.0000	943
Aug-07		\$42,000	1.0000	939
Sep-07		\$42,500	1.0000	934
Oct-07		\$46,900	1.0000	933
Nov-07		\$43,500	1.0000	936
Dec-07		\$47,800	1.0000	937
Jan-08	\$51,600	\$48,100	1.0000	937
Feb-08	\$43,100	\$44,100	1.0000	940
Mar-08	\$46,200	\$48,800	1.0000	942
Apr-08	\$44,000	\$48,900	1.0000	942
May-08	\$55,700	\$46,800	1.0000	940
Jun-08	\$43,800	\$49,500	1.0000	939
Jul-08	\$58,300	\$50,700	1.0000	943
Aug-08	\$45,000	\$48,500	1.0000	939
Sep-08	\$44,000	\$49,500	1.0000	937
Oct-08	\$55,000	\$52,200	1.0000	945
Nov-08	\$45,100	\$50,200	1.0000	945
Dec-08	\$56,600	\$54,300	1.0000	945
Jan-09	\$48,700	\$51,200	1.0000	945
Feb-09	\$46,700	\$49,700	1.0000	966
Mar-09	\$50,400	\$57,600	1.0000	964
Apr-09	\$64,900	\$54,100	1.0000	968
May-09	\$49,400	\$52,400	1.0000	967
Jun-09	\$49,500	\$54,800	1.0000	968
Jul-09	\$60,900	\$55,000	0.9494	969
Aug-09	\$53,800	\$55,100	0.9270	974
Sep-09	\$53,100	\$53,300	0.8830	974
Oct-09	\$72,100	\$49,300	0.8022	976
Nov-09	\$51,400	\$39,200	0.5934	980
Dec-09	\$68,500	\$8,100	0.0759	979

Barnaby Rudge, Inc.

Summary Output - Copay Plans				
6-month Average Factors				
Month	Claims Paid (in \$1,000s)	Incurred & Paid (in \$1,000s)	Completion Factors	Members (in 1,000s)
Jan-07		\$34,580	1.0000	698
Feb-07		\$31,257	1.0000	688
Mar-07		\$35,175	1.0000	678
Apr-07		\$34,792	1.0000	668
May-07		\$32,338	1.0000	658
Jun-07		\$31,973	1.0000	648
Jul-07		\$31,901	1.0000	638
Aug-07		\$30,450	1.0000	628
Sep-07		\$30,600	1.0000	618
Oct-07		\$33,534	1.0000	608
Nov-07		\$30,885	1.0000	598
Dec-07		\$33,699	1.0000	588
Jan-08	\$36,120	\$33,670	1.0000	578
Feb-08	\$29,955	\$30,650	1.0000	568
Mar-08	\$31,878	\$33,672	1.0000	558
Apr-08	\$30,140	\$33,497	1.0000	548
May-08	\$37,876	\$31,824	1.0000	538
Jun-08	\$29,565	\$33,413	1.0000	528
Jul-08	\$39,061	\$33,969	1.0000	518
Aug-08	\$29,925	\$32,253	1.0000	508
Sep-08	\$29,040	\$32,670	1.0000	498
Oct-08	\$36,025	\$34,191	1.0000	488
Nov-08	\$29,315	\$32,630	1.0000	478
Dec-08	\$36,507	\$35,024	1.0000	468
Jan-09	\$31,168	\$32,768	1.0000	458
Feb-09	\$29,655	\$31,560	1.0000	448
Mar-09	\$31,752	\$36,288	1.0000	438
Apr-09	\$40,563	\$33,813	1.0000	428
May-09	\$30,628	\$32,488	1.0000	418
Jun-09	\$30,443	\$33,702	1.0000	408
Jul-09	\$37,149	\$33,550	0.9690	398
Aug-09	\$32,549	\$33,336	0.9456	388
Sep-09	\$31,860	\$31,980	0.8948	378
Oct-09	\$42,900	\$29,334	0.8234	368
Nov-09	\$30,326	\$23,128	0.6176	358
Dec-09	\$40,073	\$4,739	0.1049	348

Barnaby Rudge, Inc.

Summary Output - High Deductible Plans 6-month Average Factors				
Month	Claims Paid (in \$1,000s)	Incurred & Paid (in \$1,000s)	Completion Factors	Members (in 1,000s)
Jan-07		\$10,920	1.0000	233
Feb-07		\$10,143	1.0000	256
Mar-07		\$11,725	1.0000	267
Apr-07		\$11,909	1.0000	278
May-07		\$11,362	1.0000	287
Jun-07		\$11,528	1.0000	297
Jul-07		\$11,799	1.0000	306
Aug-07		\$11,550	1.0000	312
Sep-07		\$11,900	1.0000	317
Oct-07		\$13,367	1.0000	326
Nov-07		\$12,615	1.0000	339
Dec-07		\$14,101	1.0000	350
Jan-08	\$15,480	\$14,430	1.0000	360
Feb-08	\$13,146	\$13,451	1.0000	373
Mar-08	\$14,322	\$15,128	1.0000	385
Apr-08	\$13,860	\$15,404	1.0000	395
May-08	\$17,824	\$14,976	1.0000	403
Jun-08	\$14,235	\$16,088	1.0000	412
Jul-08	\$19,239	\$16,731	1.0000	426
Aug-08	\$15,075	\$16,248	1.0000	432
Sep-08	\$14,960	\$16,830	1.0000	440
Oct-08	\$18,975	\$18,009	1.0000	458
Nov-08	\$15,785	\$17,570	1.0000	468
Dec-08	\$20,093	\$19,277	1.0000	478
Jan-09	\$17,532	\$18,432	1.0000	488
Feb-09	\$17,046	\$18,141	1.0000	519
Mar-09	\$18,648	\$21,312	1.0000	527
Apr-09	\$24,338	\$20,288	1.0000	541
May-09	\$18,772	\$19,912	1.0000	550
Jun-09	\$19,058	\$21,098	1.0000	561
Jul-09	\$23,751	\$21,450	0.9234	572
Aug-09	\$21,251	\$21,765	0.8972	587
Sep-09	\$21,240	\$21,320	0.8546	597
Oct-09	\$29,201	\$19,967	0.7856	609
Nov-09	\$21,074	\$16,072	0.5332	623
Dec-09	\$28,428	\$3,362	0.0343	632

From: Dr. Alexander Manette <amanette@greatexp.com>
To: You
Sent: March 3, 2010
Subject: Medical Management Help

Hello and welcome aboard.

Let me introduce myself. I'm Dr. Alexander Manette, but please call me Alex. I am VP of our Medical Management area.

We currently are split up into two primary areas: disease management and case management. Unfortunately, we are light on any kind of metrics. Here is some information we have gathered regarding 2009 experience.

Service Category	2009 Utilization	2009 Claims Paid (in \$1,000s)
Hospital Inpatient	57,600 Admits	\$133,880
Hospital Outpatient	192,000 Services	\$153,962
Physician	576,000 Visits	\$267,760
RX	768,000 Scripts	\$113,798
Total	2,211,000 Claims	\$669,400,000

I understand you have some experience in this area and I'd like to talk with you further about it. I'll set up some time so we can speak.

Regards - Alex

From: Charles Dickens <cdickens@greatexp.com>
To: You
Sent: March 3, 2010
Subject: Sales Request

I don't know if you've had the pleasure to meet or VP of marketing. In any case, please review the following e-mail.

Forwarded by Charles Dickens <cdickens@greatexp.com> _____

From: Oliver Twist <otwist@greatexp.com>
To: You
Sent: March 3, 2010
Subject: NEED YOUR HELP

Chuck,

As you know, we've had troubles across the board selling our products. I feel like our actuaries are trying to pick our pockets by keeping the rates so high!!

In talking with our brokers and sales staff, the consensus is that for the upcoming year, we need to lower our book rates on our medical products by an additional 10% (not including the 5% you already committed to last week). In so doing, we think we can grow our medical enrolment by 15%, offsetting the decreased premium.

Our top producer in Region 1, Arthur Dodger, has been particularly vociferous in his comments. I'd hate to lose Artie as a broker. However, he is concerned about his ability to sell our products. I've been thinking – he and his staff are experts in the individual and retiree health arena. Is it possible to team up with him in developing new products in these areas?

Regarding the premium issue – I think we're really going to need some relief in the coming year – especially with the changes in the market due to healthcare reform.

With all do respect – please, sir, we want some more.

Ollie