

Rector & Associates, Inc.

Insurance Regulatory Consulting

Columbus Office
Direct Dial: 614-224-6220
Email: sschroeder@rector-associates.com
www.rector-associates.com

October 24, 2014

Adam Levi
Assistant General Counsel
District of Columbia Department of Insurance, Securities and Banking
810 First Street, NE, Suite 701
Washington, DC 20002

RE: R&A Review of GHMSI and Milliman 10/15/14 Response
To DISB Supplemental Information Request
Order No. 14-MIE-008

Dear Adam:

Pursuant to the above-named Order, the DISB requested that R&A review information provided by GHMSI and Milliman in response to the Order and determine whether the information is consistent with the methodology and calculations in our December 9, 2013 Report. GHMSI and Milliman provided their responses to the information requested in the Order in their October 15, 2014 correspondence.

As requested in the Order, GHMSI and Milliman provided surplus target levels that Milliman calculated based on specific adjustments to confidence levels and to assumptions with respect to premium growth levels.

We reviewed the surplus target levels, as calculated by Milliman, and the methodology Milliman indicated it used to calculate those target levels. We also spoke with Phyllis Doran, Principal and Consulting Actuary with Milliman, to discuss the methodology used by Milliman. Although we did not perform detailed testing to confirm Milliman's calculations, we analyzed Milliman's surplus target level findings based on prior analysis we performed of GHMSI's target levels. Our analysis included a review of the effect on GHMSI's surplus level needs based on assumption and confidence level changes made during our prior analysis.

Central Office
172 East State Street, Suite 305
Columbus, OH 43215
(614) 224-6200
Fax (614) 224-6283

Kansas Office
11011 King Street, Suite 150
Overland Park, KS 66210
(913) 362-8501
Fax (913)782-4658

Cincinnati Office
724 Lafayette Avenue, #2
Cincinnati, OH 45220
(513) 861-1976
Fax (513) 861-1976

Lafayette Office
3211 Quandt Road
Lafayette, CA 94549
(925) 401-3458
Fax (925) 401-3458

Based on our review, we found that the surplus target levels provided by GHMSI and Milliman in their October 15, 2014 response to the Order are consistent with the methodology and calculations in our December 9, 2013 Report.

Should you have any questions regarding this matter, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Sarah W. Schroeder". The signature is fluid and cursive, with a large initial "S" and "W".

Sarah W. Schroeder
President