

APA-1

TRANSMITTAL SHEET FOR NOTICE OF INTENDED ACTION

Control: 482
Department or Agency: Alabama Department of Insurance
Rule No.: 482-1-091-.14
Rule Title: Reserve Standards
Intended Action: Amend

Would the absence of the proposed rule significantly harm or endanger the public health, welfare, or safety? No

Is there a reasonable relationship between the state's police power and the protection of the public health, safety, or welfare? Yes

Is there another, less restrictive method of regulation available that could adequately protect the public? No

Does the proposed rule have the effect of directly or indirectly increasing the costs of any goods or services involved? No

To what degree?: N/A

Is the increase in cost more harmful to the public than the harm that might result from the absence of the proposed rule? NA

Are all facets of the rule-making process designed solely for the purpose of, and so they have, as their primary effect, the protection of the public? Yes

Does the proposed action relate to or affect in any manner any litigation which the agency is a party to concerning the subject matter of the proposed rule? No

Does the proposed rule have an economic impact? No

If the proposed rule has an economic impact, the proposed rule is required to be accompanied by a fiscal note prepared in accordance with subsection (f) of Section 41-22-23, Code of Alabama 1975.

Certification of Authorized Official

I certify that the attached proposed rule has been proposed in full compliance with the requirements of Chapter 22, Title 41, Code of Alabama 1975, and that it conforms to all applicable filing requirements of the Administrative Procedure Division of the Legislative Services Agency.

Signature of certifying officer

Reyn Norman
Reyn Norman

Date

Thursday, April 18, 2024

REC'D & FILED
APR 18, 2024
LEGISLATIVE SVC AGENCY

ALABAMA DEPARTMENT OF INSURANCE

NOTICE OF INTENDED ACTION

AGENCY NAME: Alabama Department of Insurance

RULE NO. & TITLE: 482-1-091-.14 Reserve Standards

INTENDED ACTION: Amend

SUBSTANCE OF PROPOSED ACTION:

The Alabama Department of Insurance is exempt from the Alabama Administrative Procedures Act pursuant to Section 41-22-2(e), Code of Alabama 1975. The Commissioner proposes citation updates to align with current state statutes.

TIME, PLACE AND MANNER OF PRESENTING VIEWS:

Interested persons may submit data, views, or arguments in writing at any time prior to 3:00 PM on June 6, 2024, to the Alabama Department of Insurance, Attention: Legal Division, Post Office Box 303351, Montgomery, Alabama 36130-3351, or orally by appearing at the public hearing, Suite 502, RSA Tower, 201 Monroe Street, Montgomery, Alabama, beginning at 10:00 AM, on June 11, 2024.

FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:

Tuesday, June 11, 2024

CONTACT PERSON AT AGENCY:

Erin Dunagan  
Associate Counsel

*Reyn Norman*

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Reyn Norman

(Signature of officer authorized  
to promulgate and adopt  
rules or his or her deputy)

**Reserve Standards.**

(1) (a) When long-term care benefits are provided through the acceleration of benefits under group or individual life policies or riders to such policies, policy reserves for such benefits shall be determined in accordance with ~~Section 27-36-Chapter 36A~~ of Title 27, Code of Ala. 1975. Claim reserves must also be established ~~in the case when such~~ when such a policy or rider is in claim status.

(b) Reserves for policies and riders subject to this Paragraph (1) should be based on the multiple decrement model utilizing all relevant decrements except for voluntary termination rates. Single decrement approximations are acceptable if the calculation produces essentially similar reserves, if the reserve is clearly more conservative, or if the reserve is immaterial. The calculations may ~~take into account~~ include the reduction in life insurance benefits due to the payment of long-term care benefits. However, ~~in no event shall~~ the reserves for the long-term care benefit and the life insurance benefit may not be less than the reserves for the life insurance benefit assuming no long-term care benefit.

(c) In the development and calculation of reserves for policies and riders subject to this Paragraph (1), due regard shall be given to the applicable policy provisions, marketing methods, administrative procedures, and all other considerations which have an impact on projected claim costs, including, but not limited to, the following:

1. Definition of insured events.
2. Covered long-term care facilities.
3. Existence of home convalescence care coverage.
4. Definition of facilities.
5. Existence or absence of barriers to eligibility.
6. Premium waiver provision.
7. Renewability.
8. Ability to raise premiums.
9. Marketing method.
10. Underwriting procedures.
11. Claims adjustment procedures.
12. Waiting period.
13. Maximum benefit.
14. Availability of eligible facilities.
15. Margins in claim costs.
16. Optional nature of benefit.
17. Delay in eligibility for benefit.
18. Inflation protection provisions.
19. Guaranteed insurability option.

(d) Any applicable valuation morbidity table shall be certified as appropriate as a statutory valuation table by a member of the American Academy of Actuaries.

(2) When long-term care benefits are provided other than as Paragraph (1) of this rule, reserves shall be determined in accordance with Section 27-36-5, Code of Ala. 1975.

**Author:** Reyn Norman, Associate Counsel

**Statutory Authority:** Code of Ala. 1975, §§27-2-17, ~~27-19-100, et seq~~ and 27-19-100 to 27-19-110.

**History: New Rule:** June 14, 1991; effective October 1, 1991.

**Revised:** August 16, 2000; effective January 1, 2001. Filed for codification in the Alabama Administrative Code by the Department of Insurance on January 17, 2003, pursuant to the Code of Ala. 1975, §27-7-43. Amended: Published ; effective .