

APA-1

TRANSMITTAL SHEET FOR NOTICE OF INTENDED ACTION

Control: 482
Department or Agency: Alabama Department of Insurance
Rule No.: 482-1-091-.15
Rule Title: Loss Ratio
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-.15 Loss Ratio

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

Reyn Norman

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

482-1-091-.15

Loss Ratio.

(1) Benefits under long-term care insurance policies shall be deemed reasonable in relation to premiums provided the expected loss ratio is at least sixty percent (60%), calculated in a manner which provides for adequate reserving of the long-term care insurance risk. In evaluating the expected loss ratio, due consideration shall be given to all relevant factors, including:

- (a) Statistical credibility of incurred claims experience and earned premiums.
- (b) The period for which rates are computed to provide coverage.
- (c) Experienced and projected trends.
- (d) Concentration of experience within early policy duration.
- (e) Expected claim fluctuation.
- (f) Experience refunds, adjustments or dividends.
- (g) Renewability features.
- (h) All appropriate expense factors.
- (i) Interest.
- (j) Experimental nature of the coverage.
- (k) Policy reserves.
- (l) Mix of business by risk classification.
- (m) Product features such as long elimination periods, high deductibles and high maximum limits.

(2) Paragraph (1) of this rule shall not apply to life insurance policies that accelerate benefits for long-term care. A life insurance policy that funds long-term care benefits entirely by accelerating the death benefit is considered to provide reasonable benefits in relation to premiums paid, if the policy complies with all of the following provisions:

- (a) The interest credited internally to determine cash value accumulations, including long-term care, if any, are guaranteed not to be less than the minimum guaranteed interest rate for cash value accumulations without long-term care set forth in the policy.
- (b) The portion of the policy that provides life insurance benefits meets the nonforfeiture requirements of ~~Section~~[Sections 27-36A-1 through 27-36A-20](#), Code of Ala. 1975.
- (c) The policy meets the disclosure requirements of [Section 27-19-105](#), Code of Ala. 1975.
- (d) Any policy illustration that meets the applicable requirements of the Alabama Insurance Regulation, Chapter 482-1-114.
- (e) An actuarial memorandum is filed with the insurance department that includes all of the following:
 - 1. A description of the basis on which the long-term care rates were determined.
 - 2. A description of the basis for the reserves.

3. A summary of the type of policy, benefits, renewability, general marketing method, and limits on ages of issuance.
4. A description and a table of each actuarial assumption used. For expenses, an insurer must include percent of premium dollars per policy and dollars per unit of benefits, if any.
5. A description and a table of the anticipated policy reserves and additional reserves to be held in each future year for active lives.
6. The estimated average annual premium per policy and the average issue age.
7. A statement as to whether underwriting is performed at the time of application. The statement shall indicate whether underwriting is used and, if used, the statement shall include a description of the type or types of underwriting used, such as medical underwriting or functional assessment underwriting. Concerning a group policy, the statement shall indicate whether the enrollee or any dependent will be underwritten and when underwriting occurs.
8. A description of the effect of the long-term care policy provision on the required premiums, nonforfeiture values and reserves on the underlying life insurance policy, both for active lives and those in long-term care claim status.

Author: Reyn Norman, Associate Counsel

Statutory Authority: Code of Ala. 1975, §§27-2-17, 27-19-100, et seq.

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](#) .