

**CERTIFICATION OF ADMINISTRATIVE RULES  
FILED WITH THE LEGISLATIVE SERVICES AGENCY  
OTHNI LATHRAM, DIRECTOR**

(Pursuant to Code of Alabama 1975, §41-22-6, as amended).

I certify that the attached is/are correct copy/copies of rule/s as promulgated and adopted on Tuesday, June 11, 2024, and filed with the agency secretary on Tuesday, June 11, 2024.

**AGENCY NAME:** Alabama Department of Insurance

**INTENDED ACTION:** Amend

**RULE NO.:** 482-1-091-.15

(If amended rule, give specific paragraph, subparagraphs, etc., being amended) **482-1-091-.15**

**RULE TITLE:** Loss Ratio

**ACTION TAKEN:** State whether the rule was adopted with or without changes from the proposal due to written or oral comments:

**Adopted without changes.** No comments.

NOTICE OF INTENDED ACTION PUBLISHED IN VOLUME XLII, ISSUE NO. 7, AAM,  
DATED TUESDAY, APRIL 30, 2024.

**STATUTORY RULEMAKING AUTHORITY:** Ala. Code § 27-2-17

(Date Filed)  
(For LRS Use Only)

**REC'D & FILED**  
**JUN 12, 2024**  
**LEGISLATIVE SVC AGENCY**

*Reyn Norman*

Reyn Norman

Certifying Officer or his or her  
Deputy

(NOTE: In accordance with §41-22-6(b), as amended, a proposed rule is required to be certified within 90 days after completion of the notice.)

**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 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 April 30, 2024; effective July 1, 2024.