ALABAMA DEPARTMENT OF INSURANCE
ADMINISTRATIVE CODE

CHAPTER 482-1-134
HEALTH INSURANCE RESERVES

482-1-134-AA **Appendix A Specific Standards For Morbidity Interest And Mortality.**

APPENDIX A

SPECIFIC STANDARDS FOR MORBIDITY, INTEREST AND MORTALITY

1. MORBIDITY

A. Minimum morbidity standards for valuation of specified individual contract health insurance benefits are as follows:

(1) Disability Income Benefits Due to Accident or Sickness.

(a) Contract Reserves:

(i) Contracts issued on or after January 1, 1965 and prior to January 1, 1986: The 1964 Commissioners Disability Table (64 CDT).

(ii) Contracts issued on or after January 1, 1987, either of the following:

(I) The 1985 Commissioners Individual Disability Tables A (85CIDA).

(II) The 1985 Commissioners Individual Disability Tables B (85CIDB).

(iii) Contracts issued during 1986:

(I) Optional use of either the 1964 Table or the 1985 Tables.

(II) Each insurer shall elect, with respect to all individual contracts issued in any one statement year, whether it will use Tables A or Tables B as the minimum standard. The insurer may, however, elect to use the other tables with respect to any subsequent statement year.

(iv) Contracts issued on or after January 1, 2020:

(I) The 2013 IDI Valuation Table with modifiers as described in Actuarial Guidelines L.

(II) An insurer may begin to use the 2013 IDI Valuation Table with modifiers at a date earlier than January 1, 2020, but not prior to January 1, 2017.

(III) Within three years of 2020, or the earlier date an insurer begins to use the 2013 IDI Valuation Table, the insurer may elect to apply that morbidity standard for all policies issued subject to other valuation tables. This may be done if the following conditions are met:

(A) The insurer must apply the morbidity standard to all inforce policies and incurred claims.

(B) The insurer elects or has elected to apply the 2013 IDI Valuation Table to all claims incurred regardless of incurred date.

(C) The insurer maintains adequate policy records on policies issued prior to 2020, that allow the insurer to apply the 2013 IDI Valuation Table appropriately.

(D) Once an insurer elects to calculate reserves for all inforce policies based on the current morbidity standard, all future valuations must be on that basis.

(b) Claim Reserves:

(i) For claims incurred on or after July 28, 2005, and prior to 2020: The 1985 Commissioners Individual Disability Table A (85CIDA) with claim termination rates multiplied by the following adjustment factors:

Duration	**Adjustment Factor**	**Adjusted Termination Rates***
Week 1	0.366	0.04831
2	0.366	0.04172
3	0.366	0.04063
4	0.366	0.04355
5	0.365	0.04088
6	0.365	0.04271

7	0.365	0.04380
8	0.365	0.04344
9	0.370	0.04292
10	0.370	0.04107
11	0.370	0.03848
12	0.370	0.03478
13	0.370	0.03034
Duration	**Adjustment Factor**	**Adjusted Termination Rates***
Month 4	0.391	0.08758
5	0.371	0.07346
6	0.435	0.07531
7	0.500	0.07245
8	0.564	0.06655
9	0.613	0.05520
10	0.663	0.04705
11	0.712	0.04486
12	0.756	0.04309
13	0.800	0.04080
14	0.844	0.03882
15	0.888	0.03730
16	0.932	0.03448
17	0.976	0.03026
18	1.020	0.02856
19	1.049	0.02518
20	1.078	0.02264
21	1.107	0.02104
22	1.136	0.01932
23	1.165	0.01865
24	1.195	0.01792
Year 3	1.369	0.16839
4	1.204	0.10114
5	1.199	0.07434
6 and later	1.000	**

*The adjusted termination rates derived from the application of the adjustment factors to the DTS Valuation Table termination rates shown in exhibits 3a, 3b, 3c, 4, and 5 (Transactions of the Society of Actuaries (TSA) XXXVII, pp. 457-463) is displayed. The adjustment factors for age, elimination period, class, sex, and cause displayed in exhibits 3a, 3b, 3c, and 4 should be applied to the adjusted termination rates shown in this table.

**Applicable DTS Valuation Table duration rate from exhibits 3c and 4 (TSA XXXVII, pp. 462-463).

The 85CIDA table so adjusted for the computation of claim reserves shall be known as 85CIDC (The 1985 Commissioners Individual Disability Table C).

For claims incurred on or after 2020, the 2013 IDI Valuation Table with modifiers and adjustments for company experience as prescribed in the Actuarial Guideline L, except for worksite disability policies with benefit periods of 24 months or less.

(ii) For worksite disability policies, claim reserves may be calculated using claim run-out analysis or claim triangles, or other methods that place a sound value on the reserves that are appropriate for the business and risks involved.

(iii) For claims incurred prior to July 28, 2005: Each insurer may elect which of the following to use as the minimum standard for claims incurred prior to July 28, 2005:

(I) The minimum morbidity standard in effect for contract reserves on currently issued contracts, as of the date the claim is incurred, or

(II) The standard as defined in Item (i) or (ii), applied to all open non-worksite claims, provided the insurer maintains adequate claim records to allow the insurer to apply the standard defined in Item (i) or (ii) appropriately. Once an insurer elects to calculate reserves for all open claims on the standard defined in Item (i) or (ii), all future valuations must be on that basis. This option, with respect to Item (ii), may be selected only if the insurer maintains adequate claim records for all claims incurred to use the 2013 IDI Valuation Table appropriately.

(2) Hospital Benefits, Surgical Benefits and Maternity Benefits (Scheduled benefits or fixed time period benefits only).

(a) Contract Reserves:

(i) Contracts issued on or after January 1, 1955, and before January 1, 1982: The 1956 Intercompany Hospital-Surgical Tables.

(ii) Contracts issued on or after January 1, 1982: The 1974 Medical Expense Tables, Table A, Transactions of the Society of Actuaries, Volume XXX, pg. 63. Refer to the paper (in the same volume, pg. 9) to which this table is appended,

including its discussions, for methods of adjustment for benefits not directly valued in Table A: "Development of the 1974 Medical Expense Benefits", Houghton and Wolf.

(b) Claim Reserves: No specific standard. See subdivision (6).

(3) Cancer Expense Benefits (Scheduled benefits or fixed time period benefits only).

(a) Contract Reserves:

(i) Contracts issued on or after January 1, 1986, and before January 1, 2019: The 1985 NAIC Cancer Claim Cost Tables.

(ii) Contracts issued on or after January 1, 2019:

(I) For first occurrence and hospitalization benefits: The 2016 Cancer Claim Cost Valuation Tables (2016 CCCVT); http://www.naic.org/documents/01_naic_2017_cancer_claim_cost_valuation table.xlsx

(II) For all other benefits: Assumptions based on company experience, relevant industry experience, and actuarial judgement. Such assumptions should be appropriate for valuation which considers margin for adverse experience.

(iii) For contracts issued on or after January 1, 2018, and before January 1, 2019, a company may elect to use morbidity basis described in Item (ii) above. Once a company begins use of the 2016 CCCVT for new issues, it may not revert to the 1985 CCCT.

(b) Claim Reserves: No specific standard. See subdivision (6).

(4) Accidental Death Benefits:

(a) Contract Reserves. Contracts issued on or after January 1, 1965: The 1959 Accidental Death Benefits Table.

(b) Claim Reserves: Actual amount incurred.

(5) Single Premium Credit Disability.

(a) Contract Reserves:

(i) For contracts issued on or after July 28, 2005:

(I) For plans having less than a thirty-day elimination period, the 1985 Commissioners Individual Disability Table A (85CIDA) with claim incidence rates increased by twelve percent (12%).

(II) For plans having a thirty-day and greater elimination period, the 85CIDA for a fourteen-day elimination period with the adjustment in Item (I).

(ii) For contracts issued prior to July 28, 2005, each insurer may elect either Item (I) or (II) to use as the minimum standard. Once an insurer elects to calculate reserves for all contracts on the standard defined in Item (i), all future valuations must be on that basis.

(I) The minimum morbidity standard in effect for contract reserves on currently issued contracts, as of the date the contract was issued, or

(II) The standard as defined in Item (i), applied to all contracts.

(b) Claim Reserves. Claim reserves are to be determined as provided in paragraph (3) of Rule 482-1-134-.02.

(6) Other Individual Contract Benefits:

(a) Contract Reserves: For all other individual contract benefits, morbidity assumptions are to be determined as provided in the reserve standards.

(b) Claim Reserves: For all benefits other than disability, claim reserves are to be determined as provided in the standards.

B. Minimum morbidity standards for valuation of specified group contract health insurance benefits are as follows:

(I) Disability Income Benefits due to an accident or Sickness, where the Model references this Appendix; otherwise Actuarial Guideline XLVII, as included in the most current version of the NAIC Accounting Practices and Procedures Manual.

(a) Contract Reserves:

(i) Contracts issued prior to January 1, 2005: The same basis, if any, as that employed by the insurer as of January 1, 2005.

(ii) Contracts issued on or after January 1, 2005: The 1987 Commissioners Group Disability Income Table (87CGDT).

(b) Claim Reserves:

(i) For claims incurred on or after January 1, 2005: The 1987 Commissioners Group Disability Income Table (87CGDT).

(ii) For claims incurred prior to January 1, 2005: Use of the 87CGDT is optional.

(2) Single Premium Credit Disability

(a) Contract Reserves:

(i) For contracts issued on or after [effective date of this amendment]:

(I) For plans having less than a thirty-day elimination period, the 1985 Commissioners Individual Disability Table A (85CIDA) with claim incidence rates increased by twelve percent (12%).

(II) For plans having a thirty-day and greater elimination period, the 85CIDA for a fourteen-day elimination period with the adjustment in Item (I).

(ii) For contracts issued prior to [effective date of this amendment], each insurer may elect either Item (I) or (II) to use as the minimum standard. Once an insurer elects to calculate reserves for all contracts on the standard defined in Item (i), all future valuations must be on that basis.

(I) The minimum morbidity standard in effect for contract reserves on currently issued contracts, as of the date the contract was issued.

(II) The standard as defined in Item(i), applied to all contracts.

(b) Claim Reserves: Claim reserves are to be determined as provided in paragraph (3) of Rule 482-1-134-.02.

(3) Other Group Contract Benefits.

(a) Contract Reserves. For all other group contract benefits, morbidity assumptions are to be determined as provided in the reserve standards.

(b) Claim Reserves.

For all benefits other than disability, claim reserves are to be determined as provided in the standards.

II. Interest.

A. For contract reserves the maximum interest rate is the maximum rate permitted by law in the valuation of whole life insurance issued on the same date as the health insurance contract.

B. For claim reserves on policies that require contract reserves, the maximum interest rate is the maximum rate permitted by law in the valuation of whole life insurance issued on the same date as the claim incurral date.

C. For claim reserves on policies not requiring contract reserves, the maximum interest rate is the maximum rate permitted by law in the valuation of single premium immediate annuities issued on the same date as the claim incurral date, reduced by one hundred basis points.

III. Mortality.

A. Unless Subsection B or C applies, the mortality basis for all policies except long-term care individual policies and group certificates and for long-term care individual policies or group certificates issued before January 1, 1997, shall be according to a table (but without use of selection factors) permitted by law for the valuation of whole life insurance issued on the same date as the health insurance contract. For long-term care insurance individual policies or group certificates issued on or after January 1, 1997, the mortality basis used shall be the 1983 Group Annuity Mortality Table without projection. For long-term care insurance individual policies or group certificates issued on or after January 1, 2005, the mortality basis used shall be the 1994 Group Annuity Mortality Static Table.

B. Other mortality tables adopted by the NAIC and promulgated by the commissioner may be used in the calculation of the

minimum reserves if appropriate for the type of benefits and if approved by the commissioner. The request for approval shall include the proposed mortality table and the reason that the standard specified in Subsection A is inappropriate.

C. For single premium credit insurance using the 85CIDA table, no separate mortality shall be assumed.

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Statutory Authority: Code of Ala. 1975, §§27-2-17, 27-36-7.
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