

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0101

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 8 – what does “on a regular basis” mean, specifically? Consider deleting this phrase.

Lines 9, 12, 14, and 15 – replace “applies” with “shall apply”

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0101 readopted as published in 32:23 NCR 2527 as follows:

2

3 **CHAPTER 16 - ACTUARIAL SERVICES DIVISION**

4

5 **SECTION .0100 - FIRE AND CASUALTY STATISTICAL DATA**

6

7 **11 NCAC 16 .0101 APPLICABILITY**

8 The following Rules describe statistical data that shall be submitted to the Actuarial Services Division on a regular basis.

9 (1) 11 NCAC 16 .0103 applies to all companies that write North Carolina nonfleet private passenger
10 automobile insurance and to all statistical organizations that collect data relating to that line of
11 insurance.

12 (2) 11 NCAC 16 .0105 applies to all companies that provide professional liability insurance to more than
13 two percent of the insured physicians and surgeons in North Carolina.

14 (3) 11 NCAC 16 .0106 applies to all companies that write North Carolina credit property insurance.

15 (4) 11 NCAC 16 .0107 applies to all companies that write North Carolina nonfiling insurance.

16

17 *History Note: Authority G.S. 58-2-40(1); 58-2-190;*

18 *Eff. December 1, 1990;*

19 *Amended Eff. ~~July 1, 2011~~. July 1, 2011;*

20 *Readopted Eff. October 1, 2018*

21

22

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0103

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 5 – what does “timely fashion” mean, specifically? Consider deleting this phrase.

Lines 12 and 14 – replace the opening parenthesis with “as follows:”

Lines 13 and 14 – delete the closing parenthesis.

Line 17 – replace “limit/deductible” with either “limit or deductible” or “limit and deductible”

Line 32 through Page 2, line 15 – do not capitalize the first word in these Sub-Items

Page 2, line 1 – replace “provided” with “required”

Page 2, line 25 through page 3, line 6 – do not capitalize the first word in these Sub-Items

Page 2, lines 25-26 – what does “separately for voluntary business and for business ceded to the North Carolina Reinsurance Facility, and on a combined basis” mean?

Page 2, line 33 – consider replacing “estimated (actual if available) earned premium” with “earned premium, estimated if actual is not available,”

Page 2, line 34 – consider replacing “estimated (actual if available) earned exposures” with “earned exposures, estimated if actual is not available,”

Page 2, lines 36-37 – what does “separately for voluntary business and for ceded business, and on a combined basis” mean?

Page 3, lines 4 and 11 – consider replacing “estimated (actual if available) earned premium” with “earned premium, estimated if actual is not available,”

Page 3, lines 5 and 12 – consider replacing “estimated (actual if available) earned exposures” with “earned exposures, estimated if actual is not available,”

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0103 is readopted as published in 32:23 NCR 2527-2528 as follows:

2
3 **11 NCAC 16 .0103 NONFLEET PRIVATE PASSENGER AUTOMOBILE INSURANCE**

4 All companies writing North Carolina nonfleet private passenger automobile insurance shall collect the statistical data
5 described in this Rule and shall report such data to their statistical agent in a timely fashion. The statistical agents shall
6 thereupon provide the data on a combined basis to the Actuarial Services Division. ~~(Note: If any data required by this Rule
7 are not being collected and reported, or are not readily available to an individual company prior to January 1, 1992, then the
8 company shall commence as of that date to collect and report such data prospectively.)~~

9 (1) Premium, Exposure, Loss, and Claim Experience. Provide written and earned exposures, written and
10 earned premiums, number of paid and incurred claims, and paid and incurred total limit losses biannually
11 for each of the latest six accident or calendar half-years in the following detail:

- 12 (a) by coverage (bodily injury, property damage, medical payments, uninsured motorist, underinsured
13 motorist, comprehensive, or collision);
- 14 (b) by type of exposure (voluntary, ~~involuntary, standard, or substandard~~; or involuntary);
- 15 (c) by territory;
- 16 (d) by class;
- 17 (e) by basic or increased limit/deductible; and
- 18 (f) by cause or type of loss for comprehensive coverage.

19 (2) Loss and Premium Experience by Zip Code. Provide data by zip code annually in the following detail:

- 20 (a) calendar year written premium for all coverages combined;
- 21 (b) accident year incurred losses and incurred claims valued at 15 months for bodily injury and
22 property damage coverages;
- 23 (c) calendar year incurred losses and incurred claims for comprehensive and collision coverages;
- 24 (d) calendar year voluntary written exposures separately for bodily injury and property damage,
25 comprehensive, and collision;
- 26 (e) calendar year involuntary written exposures for bodily injury and property damage;
- 27 (f) calendar year substandard written exposures for comprehensive and collision; and
- 28 (g) calendar year written exposures for bodily and property damage by class.

29 (3) Loss Trend Experience. Provide earned exposures, earned premiums, number of paid or incurred claims,
30 paid or incurred losses, loss frequency, and loss severity for each of the latest 16 three-month and
31 twelve-month calendar periods ending quarterly in the following detail:

- 32 (a) For bodily injury coverage:
 - 33 (i) basic limits and total limits paid trends including allocated loss adjustment expense;
 - 34 (ii) basic limits and total limits paid trends excluding allocated loss adjustment expense;
 - 35 (iii) basic limits and total limits incurred trends including allocated loss adjustment expense;
 - 36 and
 - 37 (iv) basic limits and total limits incurred trends excluding allocated loss adjustment expense.

- 1 (b) For property damage coverage, the same trends provided for bodily injury.
- 2 (c) For medical payments coverage, total limits paid trend excluding allocated loss adjustment
- 3 expense.
- 4 (d) For uninsured motorist bodily injury coverage:
- 5 (i) total limits paid trend excluding allocated loss adjustment expense; and
- 6 (ii) total limits incurred trend excluding allocated loss adjustment expense.
- 7 (e) For comprehensive coverage:
- 8 (i) paid trend excluding allocated loss adjustment expense for exposures with no deductible;
- 9 (ii) paid trend excluding allocated loss adjustment expense separately for exposures with
- 10 deductibles of fifty dollars (\$50.00), one hundred dollars (\$100.00), two hundred dollars
- 11 (\$200.00), two hundred fifty dollars (\$250.00), five hundred dollars (\$500.00), and one
- 12 thousand dollars (\$1000.00); and
- 13 (iii) paid trend excluding allocated loss adjustment expense for all exposures not otherwise
- 14 included.
- 15 (f) For collision coverage:
- 16 (i) paid trend excluding allocated loss adjustment expense separately for exposures with
- 17 deductibles of fifty dollars (\$50.00), one hundred dollars (\$100.00), two hundred dollars
- 18 (\$200.00), two hundred fifty dollars (\$250.00), five hundred dollars (\$500.00), and one
- 19 thousand dollars (\$1000.00); and
- 20 (ii) paid trend excluding allocated loss adjustment expense for all exposures not otherwise
- 21 included.
- 22 (4) Liability Loss Development Experience. Provide loss and earned exposure data for fiscal accident years
- 23 ending June 30 and December 31 at annual evaluation dates from 15 to 63 months for at least ten years in
- 24 the following detail:
- 25 (a) For bodily injury and property damage coverages (separately for voluntary business and for
- 26 business ceded to the North Carolina Reinsurance Facility, and on a combined basis):
- 27 (i) basic limits paid losses;
- 28 (ii) basic limits incurred losses;
- 29 (iii) total limits paid losses;
- 30 (iv) total limits incurred losses;
- 31 (v) paid claims;
- 32 (vi) incurred claims;
- 33 (vii) estimated (actual if available) earned premium for the corresponding calendar year; and
- 34 (viii) estimated (actual if available) earned exposures for the corresponding calendar year.
- 35 (b) For medical payments coverage (separately for voluntary business and for ceded business, and on
- 36 a combined basis):
- 37 (i) total limits paid losses;

- 1 (ii) total limits incurred losses;
- 2 (iii) paid claims;
- 3 (iv) incurred claims;
- 4 (v) estimated (actual if available) earned premium for the corresponding calendar year; and
- 5 (vi) estimated (actual if available) earned exposures for the corresponding calendar year.
- 6 (c) For uninsured and underinsured motorist coverage:
 - 7 (i) total limits paid losses;
 - 8 (ii) total limits incurred losses;
 - 9 (iii) paid claims;
 - 10 (iv) incurred claims;
 - 11 (v) estimated (actual if available) earned premium for the corresponding calendar year; and
 - 12 (vi) estimated (actual if available) earned exposures for the corresponding calendar year.
- 13 (5) Physical Damage Age and Symbol Trend Experience. Provide the average age and symbol value for each
- 14 of the latest twenty half-year periods ending June 30 and December 31 for the following coverages:
 - 15 (a) full coverage comprehensive;
 - 16 (b) comprehensive coverage with a fifty dollar (\$50.00) deductible;
 - 17 (c) comprehensive coverage with a one hundred dollar (\$100.00) deductible;
 - 18 (d) collision coverage with a one hundred dollar (\$100.00) deductible;
 - 19 (e) collision coverage with a two hundred fifty dollar (\$250.00) deductible; and
 - 20 (f) collision coverage with a five hundred dollar (\$500.00) deductible.

21

22 *History Note:* Authority G.S. 58-2-40; 58-2-190;
23 *Eff. ~~December 1, 1990.~~ December 1, 1990;*
24 *Readopted Eff. October 1, 2018.*

25

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0105

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 4 – delete “All”

Line 5 – add commas after “request” and “31”

Line 8 – add “the” before “number”

Lines 8 through 15 – do not capitalize the first word in these Items

Line 8 – add “the” before “percentage”

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0105 readopted as published in 32:23 NCR 2528-2529 as follows:

2
3 **11 NCAC 16 .0105 PHYSICIANS AND SURGEONS PROFESSIONAL LIABILITY INSURANCE**

4 All companies that insure more than two percent of the insured physicians and surgeons in North Carolina shall ~~by April 1 of~~
5 ~~each year~~ submit the following data upon request on an annual basis evaluated as of December 31 to the Actuarial Services
6 Division. ~~(Note: If a company does not currently collect any data required by this Rule, then that company shall commence~~
7 ~~as of the effective date of this Rule to collect such data prospectively.)~~

- 8 (1) Number of insured doctors by ~~specialty (North Carolina only);~~ specialty;
9 (2) Basic limits losses and ultimate claims for the most recent ten accident or report ~~years (North Carolina and~~
10 ~~countrywide);~~ years;
11 (3) Class one frequency, basic limits severity, and basic limits pure premium for the most recent ten accident
12 or report ~~years (North Carolina and countrywide);~~ years;
13 (4) Exposure distributions separately by class, by maturity, and by increased limits factor for the most recent
14 ten calendar ~~years (North Carolina only);~~ years; and
15 (5) Percentage of claims closed with neither a loss payment nor an allocated loss adjustment payment and the
16 percentage of claims closed with only an allocated loss adjustment payment for the most recent ten
17 calendar and for the most recent ten accident or report ~~years (North Carolina only);~~ years.

18
19 *History Note:* Authority G.S. 58-2-40(1); 58-2-190; 58-41-50(e)(14);
20 *Eff. ~~December 1, 1990.~~ December 1, 1990;*
21 *Readopted Eff. October 1, 2018.*
22

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0106

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 4 – delete “To fulfill the requirements of G.S. 58 57 90,”

Lines 9-23, 25-31, 33-37, and page 2 lines 2-5 and 7-8 – do not capitalize the first word in these Sub-Items

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0106 is readopted as published in 32:23 NCR 2529 as follows:

2
3 **11 NCAC 16 .0106 CREDIT PROPERTY INSURANCE**

4 To fulfill the requirements of G.S. 58-57-90, each writer of North Carolina credit property insurance shall ~~by April 1 of each~~
5 ~~year~~ submit the data described in this Rule upon request ~~for each of the latest five calendar years on a direct basis to the~~
6 Actuarial Services Division. ~~(Note: If a company does not currently collect any data required by this Rule, that company~~
7 ~~shall commence as of December 1, 1990 to collect such data prospectively.)~~

8 (1) North Carolina premium, loss, and expense:

- 9 (a) Written premium;
10 (b) Earned premium;
11 (c) Paid losses and claims;
12 (d) Incurred losses and claims;
13 (e) Paid loss adjustment expense;
14 (f) Incurred loss adjustment expense;
15 (g) Incurred commissions and brokerage expenses;
16 (h) Incurred other acquisition costs;
17 (i) Incurred premium taxes;
18 (j) Other incurred expenses;
19 (k) Incurred loss and loss adjustment expense ratio;
20 (l) Incurred loss, loss adjustment expense, and other underwriting expense ratio;
21 (m) Dividends paid;
22 (n) Retrospective rate credits paid; and
23 (o) Commissions paid.

24 (2) Investment income on loss, loss expense, and unearned premium reserves:

- 25 (a) Loss reserve at the beginning of the year;
26 (b) Loss reserve at the end of the year;
27 (c) Loss expense reserve at the beginning of the year;
28 (d) Loss expense reserve at the end of the year;
29 (e) Unearned premium reserve at the beginning of the year;
30 (f) Unearned premium reserve at the end of the year; and
31 (g) Investment income earned on loss, loss expense, and unearned premium reserves.

32 (3) Nonrefundable fees ~~collected:~~ collected.

- 33 (a) Total number of transactions;
34 (b) Transactions involving insured values less than two hundred fifty dollars (\$250.00);
35 (c) Transactions involving insured values of two hundred fifty dollars (\$250.00) or more but less than
36 five hundred dollars (\$500.00); and
37 (d) Transactions involving insured values of five hundred dollars (\$500.00) or more.

- 1 (4) Insured values:
- 2 (a) Insured values for single interest insurance at the beginning of the year;
- 3 (b) Insured values for single interest insurance at the end of the year;
- 4 (c) Insured values for dual interest insurance at the beginning of the year; and
- 5 (d) Insured values for dual interest insurance at the end of the year.
- 6 (5) Supplementary information:
- 7 (a) Identification of the Page 14 Annual Statement line under which the experience is reported; and
- 8 (b) Explanations of any change in the amounts reported in Subparagraphs (1)(a), (1)(k) and (1)(l) of
- 9 this Rule that is greater than 50 percent of the previous calendar year's value.

10

11 *History Note:* *Authority G.S. 58-2-40; 58-57-90(b);*
12 *Eff. December 1, 1990;*
13 *Amended Eff. ~~September 1, 1991.~~ September 1, 1991;*
14 *Readopted Eff. October 1, 2018.*

15

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0107

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 4 – delete “So that the Commissioner may fulfill his duties under G.S. 53 177, all”

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0107 readopted as published in 32:23 NCR 2529-2530 as follows:

2

3 **11 NCAC 16 .0107 NONFILING INSURANCE**

4 So that the Commissioner may fulfill his duties under G.S. 53-177, all writers of North Carolina nonfiling insurance shall
5 submit the following information upon request for the previous calendar year to the Actuarial Services Division: ~~Division by~~
6 ~~March 1 of each year:~~

7 (1) ~~Written~~ written premium;

8 (2) ~~Earned~~ earned premium;

9 (3) ~~Earned~~ earned exposures;

10 (4) ~~Incurred~~ incurred losses;

11 (5) ~~Number~~ number of incurred claims; and

12 (6) ~~Incurred~~ incurred expenses.

13

14 *History Note: Authority G.S. 53-177; 58-2-40(1);*

15 *Eff. ~~December 1, 1990.~~ December 1, 1990;*

16 *Readopted Eff. October 1, 2018.*

17

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0108

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 4 – delete “To fulfill the requirements of General Statute 58 57 100(b), all”

Lines 10-22, 24-30, and 32-35 – do not capitalize the first word in these Sub-Items

Lines 36-37 – what does Item (4) mean? Is this required of the regulated public? This is a sentence fragment that does not appear to mean anything.

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 **11 NCAC 16 .0108** is readopted as published in 32:23 NCR 2529-2530 as follows:

2
3 **11 NCAC 16 .0108 SINGLE OR DUAL INTEREST AUTOMOBILE PHYSICAL DAMAGE INSURANCE**

4 To fulfill the requirements of General Statute 58-57-100(b), all writers of North Carolina Single or Dual Interest Automobile
5 Physical Damage Insurance shall ~~by April 1 of each year~~ submit the following data described in this Rule upon request for
6 ~~each of the latest five calendar years on a direct basis to the Actuarial Services Division. (Note: If a company does not~~
7 ~~currently collect any data required by this Rule, that company shall commence as of the effective date of this Rule to collect~~
8 ~~such data prospectively.)~~

9 (1) North Carolina premium, loss, and expense:

- 10 (a) Written premium and car year exposures;
- 11 (b) Earned premium and car year exposures;
- 12 (c) Paid losses and claims;
- 13 (d) Incurred losses and claims;
- 14 (e) Paid loss adjustment expense;
- 15 (f) Incurred loss adjustment expense;
- 16 (g) Incurred commissions and brokerage expenses;
- 17 (h) Incurred other acquisition costs;
- 18 (i) Incurred premium taxes;
- 19 (j) Other incurred expenses;
- 20 (k) Incurred loss and loss adjustment expense ratio;
- 21 (l) Incurred loss, loss adjustment expense and other underwriting expense ratio; and
- 22 (m) Policyholder dividends paid.

23 (2) Investment income on loss, loss expense, and unearned premium reserves:

- 24 (a) Loss reserve at the beginning of the year;
- 25 (b) Loss reserve at the end of the year;
- 26 (c) Loss expense reserve at the beginning of the year;
- 27 (d) Loss expense reserve at the end of the year;
- 28 (e) Unearned premium reserve at the beginning of the year;
- 29 (f) Unearned premium reserve at the end of the year; and
- 30 (g) Investment unearned income earned on loss, loss expense, and unearned premium reserves.

31 (3) Insured values:

- 32 (a) Insured values for single interest insurance at the beginning of the year;
- 33 (b) Insured values for single interest insurance at the end of the year;
- 34 (c) Insured values for dual interest insurance at the beginning of the year; and
- 35 (d) Insured values for dual interest insurance at the end of the year.

36 (4) Supplementary information: identification of the Page 14 Annual Statement line under which the
37 experience is reported.

- 1 ~~(a) — Identification of the Page 14 Annual Statement line under which the experience is reported;~~
- 2 ~~(b) — Explanations of any change in the amounts reported in Subparagraphs (1)(a), (1)(k) and (1)(l) of~~
- 3 ~~this Rule that is greater than 50 percent of the previous calendar year's value.~~

4
5
6
7
8

History Note: Authority G.S. 58-2-40; 58-57-100;
Eff. ~~September 1, 1991.~~ September 1, 1991;
Readopted Eff. October 1, 2018.

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0201

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Lines 8 and 9 – replace parentheses with commas

Line 9 – add “(NAIC)” after “Commissioners”

Lines 13, 15, 16, and 17 – do not capitalize the first word in these Subparagraphs

Line 13 – replace “form(s)” with “forms”

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0201 readopted as published in 32:23 NCR 2530 as follows:

2
3 SECTION .0200 - INDIVIDUAL ACCIDENT AND HEALTH INSURANCE
4

5 11 NCAC 16 .0201 MINIMUM LOSS RATIO STANDARDS

6 (a) For individual accident and health insurance policies and riders delivered in this State, the standard minimum
7 guideline loss ratio for conditionally renewable, guaranteed renewable, and ~~noncancelable~~ non-cancelable medical
8 expense, loss of income, and other type coverages (but not including long-term care insurance policies issued in this State
9 on or after February 1, 2003) shall be as promulgated by the National Association of Insurance Commissioners for such
10 coverages as of the issue date of such policies and riders.

11 (b) If a company fails to satisfy NAIC minimum future or lifetime loss ratio standards for a particular type of coverage,
12 then to comply with the loss ratio standards in Paragraph (a) of this Rule, the company shall:

- 13 (1) Combine the experience of such policy form(s) with other forms with similar type of coverage for
14 which the pooling of experience is actuarially justified;
- 15 (2) Provide premium credits or refunds;
- 16 (3) Decrease premium rates for one or more subsequent rating periods; or
- 17 (4) Implement an actuarially justified alternative proposal.

18
19 *History Note: Authority G.S. 58-2-40; 58-3-275; 58-51-95; 58-63-15(7)b;*
20 *Eff. March 1, 1992;*
21 *Amended Eff. ~~July 1, 2006.~~ July 1, 2006;*
22 *Readopted Eff. October 1, 2018.*
23

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0202

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 4 – add “policies and riders delivered” after “insurance”

Lines 4 and 7 – capitalize “State” if you mean North Carolina

Line 4 – delete the comma after “definitions”

Line 5 – delete the comma after “approves”

Lines 7 and 9 – replace the semicolon with a comma

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0202 readopted as published in 32:23 NCR 2530 as follows:

2

3 **11 NCAC 16 .0202 ACCIDENT AND HEALTH INSURANCE RENEWABILITY DEFINITIONS**

4 With respect to all individual accident and health insurance in this state, the following renewability definitions, or
5 substantively similar wording as the Commissioner approves, shall be used:

6 (1) Conditionally Renewable - Renewal may be declined for stated reasons, except for the deterioration of
7 health of an individual insured; provided that the declination applies to all insureds in this state insured
8 under the same policy or rider.

9 (2) Guaranteed Renewable - Renewal may not be declined by an insurance company for any reason; but the
10 insurance company may revise rates on a class basis.

11 (3) ~~Noncancelable~~ Non-cancelable - Renewal may not be declined nor may rates be revised by an insurance
12 company.

13

14 *History Note: Authority G.S. 58-2-40; 58-51-95; 58-63-15(7)b.;*

15 *Eff. ~~March 1, 1992.~~ March 1, 1992;*

16 *Readopted Eff. October 1, 2018.*

17

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0203

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Lines 4-5 – consider revising as follows:

For policies or riders permitting the adjustment of premiums for which the insurer retains the right to nonrenew, no insurer shall exercise a right not to renew for the following reason or any synonymous reason:

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0203 is readopted as published in 32:23 NCR 2530 as follows:

2

3 **11 NCAC 16 .0203 CONDITIONALLY RENEWABLE STATED REASON PROHIBITED**

4 For policies or riders permitting the adjustment of premiums for which the insurer retains the right to nonrenew, the following
5 reason or any synonymous reasons given for nonrenewal are no longer appropriate and are therefore disallowed:

6

7 "The insurer is prevented by any law, or any regulation, or any ruling of a government agency from using a table of premium
8 rates that the insurer has certified as being reasonable in relation to the benefits provided under the policy."

9

10 *History Note:* *Authority G.S. 58-2-40; 58-51-20;*
11 *Eff. ~~March 1, 1992.~~ March 1, 1992;*
12 *Readopted Eff. October 1, 2018.*

13

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0204

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 4 – replace “may” with “shall”

Line 6 – replace “includes” with “shall include”

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0204 readopted as published in 32:23 NCR 2531 as follows:

2

3 **11 NCAC 16 .0204 OPTIONALLY RENEWABLE PROHIBITED**

4 No policy of accident, health, or accident and health insurance may contain a provision that permits the insurer to refuse to
5 renew the coverage of an individual insured based upon the deterioration of health of an individual insured or based upon the
6 claim experience of an individual insured. As used in this Rule, "policy" includes an endorsement, rider, or any amendment
7 to a policy.

8

9 *History Note: Authority G.S. 58-2-40; 58-51-95; 58-63-15(7)b.;*

10 *Eff. ~~March 1, 1992.~~ March 1, 1992;*

11 *Readopted Eff. October 1, 2018.*

12

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0205

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 4 – replace “Articles 1 through 64 of Chapter 58” with “G.S. 58, Articles 1 through 64,”

Line 9 – add “by the Division” after “received”

Line 11 – delete “The following data id required in”

Line 11 – add “shall include” after “subsection”

Lines 12-page 3, line 4 and page 3, lines 9-11 – do not capitalize the first word in these Subparagraphs

Line 13-page 3, line 5 – end each Subparagraph with a semicolon

Line 13 – do you mean this Section .0200? (just checking)

Lines 19, 20, and 21 – replace “; e.g.” with “, such as”

Line 21 – add “or” before “community” and delete “or other”

Lines 24-25 – replace “implementation of the rate revision” with “implementation date” if that is what is meant (see Paragraph (a)(4)).

Line 31 – replace “subdivided” with “divided” if that is what you mean.

Line 33 – add “that” after “date”

Page 2, line 4 – what does “duration one” mean?

Page 2, lines 7 and 10 – add “that” after “date”

Page 2, line 12-13 – revise as follows:

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

a count of the number of incurred claims for each calendar year of data provided. The count shall be calculated by adding the total number of claims reported during the calendar year, whether paid or in the process of payment,

Page 2, line 18 – replace “are to” with “shall”

Page 2, line 28 – replace the comma after “otherwise” with a period.

Page 2, line 28 – capitalize “If”

Page 2, line 28 – replace “must” with “shall”

Page 2, line 31 – delete the semicolon

Page 3, line 3 – add “and” after the semicolon

Page 3, line 6 – replace “is not” with “shall not be”

Page 3, line 7 – delete the semicolon

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0205 is readopted as published in 32:23 NCR 2531-2532 as follows:

2
3 **11 NCAC 16 .0205 DATA REQUIREMENTS FOR RATE REVISION SUBMISSION**

4 (a) With respect to any individual accident and health insurance policy governed by Articles 1 through 64 of Chapter 58
5 for which an adjustment of premium rate is allowed by law, the insurer shall submit an actuarial memorandum describing
6 and demonstrating the development of any requested premium rate revision. The actuarial memorandum shall contain a
7 subsection identified as "Additional Data Requirements." The initial rate revision filing shall be submitted to ~~and~~
8 ~~stamped received~~ by the Department's Life and Health Division. An insurer shall submit all data required by this Rule
9 within 45 days after the date that the initial rate revision filing is stamped received. Subsequent data submissions on
10 incomplete initial rate revision filings shall be made directly to the Department's Actuarial Services Division within the
11 45 day period. The following data is required in the "Additional Data Requirements" subsection:

- 12 (1) Identification of the submitted data as North Carolina or countrywide and consistent use of this data
13 identification throughout this Section.
- 14 (2) Identification of all previously approved policy forms included in the rate revision submission, by
15 North Carolina policy form number.
- 16 (3) The month, year, and percentage amount of all previous rate revisions.
- 17 (4) The month and year that the rate revision is scheduled to be implemented (hereinafter referred to as the
18 "implementation date").
- 19 (5) The type of renewability provision contained in each policy form; e.g., guaranteed renewable.
- 20 (6) The type of coverage provided by each policy form; e.g., medical expense.
- 21 (7) Identification of the type of rating methodology; e.g., issue age, attained age, community rate or other.
- 22 (8) The National Association of Insurance Commissioners minimum guideline loss ratio and, if different,
23 the insurer's minimum guideline loss ratio.
- 24 (9) The average annual premium for North Carolina and countrywide before and after the implementation
25 of the rate revision.
- 26 (10) The number of North Carolina and countrywide policyholders affected by the rate revision.
- 27 (11) The requested rate revision percentage attributable to experience.
- 28 (12) The requested rate revision percentage attributable to changes in benefits promulgated by Medicare, if
29 applicable, and the calculation used to develop this percentage.
- 30 (13) Identification and actuarial justification of all groupings of policy forms.
- 31 (14) The historical calendar year earned premium subdivided by duration and expressed on an actual and a
32 current premium rate basis for the period of time from the earliest date that experience is recorded to
33 the most recent date experience is recorded.
- 34 (15) The "expected" incurred loss ratios by duration based upon original pricing assumptions for all policy
35 durations considered in the original pricing.
- 36 (16) The "expected" lapse rates by duration based upon original pricing assumptions for all policy durations
37 considered in the original pricing, including assumptions for voluntary lapse rates and mortality rates.

- 1 (17) The "actual" lapse rates for duration one through the duration coinciding with the calendar year for
2 which the most recent experience is recorded.
- 3 (18) The historical calendar year incurred claims, for other than Medicare supplement insurance, covering
4 the period of time from the earliest date that experience is recorded to the most recent date experience
5 is recorded.
- 6 (19) The historical calendar year incurred claims, for Medicare supplement insurance, expressed on an
7 actual and a current benefit level basis covering the period of time from the earliest date experience is
8 recorded to the most recent date experience is recorded.
- 9 (20) A count of the number of incurred claims for each calendar year of data provided; which means the
10 total number of claims reported during the calendar year (whether paid or in the process of payment),
11 plus the number of incurred but not reported claims at the end of the calendar year, minus the number
12 of incurred but not reported claims at the beginning of the calendar year. For disability income
13 insurance, only the initial claim payment for each period of disablement shall be counted. For each
14 type of medical expense benefit, only the initial claim payment per cause shall be counted; for
15 example, payments for continuation of a claim, such as refills on a prescription drug, are to be
16 excluded from the incurred claim count.
- 17 (21) An estimation of the amount of policy year exposure contributed by all policyholders within each
18 calendar year of data provided.
- 19 (22) A statement declaring whether this is an open block of business or a closed block of business.
- 20 (23) An estimation of the annual earned premium on new issues stated at the current premium rate basis for
21 the period of time from the date that the most recent experience is last recorded to a date not exceeding
22 the fifth year following the implementation date.
- 23 (24) The number of months that the rate will be guaranteed to an individual policyholder.
- 24 (25) The rate revision implementation method, such as the next premium due date following a given date,
25 the next policy anniversary date, or otherwise; if otherwise, an explanation must be included.
- 26 (26) A statement declaring the month and year of the earliest anticipated date of the next rate revision.
- 27 (27) An explanation and actuarial justification of the apportionment of the aggregate rate revision within
28 each policy form or between policy forms that have been grouped; and a demonstration that the
29 apportionment of the aggregate rate revision yields the same premium income as if the rate revision
30 had been applied uniformly.
- 31 (28) An explanation and actuarial justification, if applicable, for changing any factor that affects the
32 premium.
- 33 (29) An explanation of the effect that the rate revision will have on the incurred loss ratio on those policies
34 in force for three years or more as exhibited in the Medicare Supplement Experience Exhibit of the
35 Annual Statement.
- 36 (30) The name, address, and telephone number of an insurance company representative who will be
37 available to answer questions relating to the rate revision.

1 (b) For the following individual accident and health policies, except Medicare supplement and long-term care, data is not
2 required to be subdivided by policy year duration; and the data in Subparagraphs (a)(15), (a)(16), and (a)(17) of this Rule
3 may be omitted:

- 4 (1) ~~short~~ Short term non-renewable; e.g., airline trip, student, or accident;
- 5 (2) ~~annual~~ Annual renewable term that are repriced every year; and
- 6 (3) ~~any~~ Any closed block of business for which all in force policies have exceeded the seventh year
7 duration.

8
9 *History Note: Authority G.S. 58-2-40(1); 58-51-95; 58-63-15(7)b;*
10 *Eff. June 1, 1992;*
11 *Amended Eff. August 1, 2005; February 1, 1994; October 1, 1993; ~~January 1, 1993~~ January 1, 1993;*
12 *Readopted Eff. October 1, 2018.*
13

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0206

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 6 – replace “does” with shall”

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0206 is readopted as published in 32:23 NCR 2532 as follows:

2

3 **11 NCAC 16 .0206 CLASS DEFINITION RESTRICTION**

4 With respect to individual accident and health insurance policies for which the adjustment of premium rates is allowed by
5 law, the insurer shall not establish, for rate revision purposes, a class within a policy form or group of policy forms so as to
6 eliminate the possibility of new entrants into the class. This Rule does not preclude actuarially justified apportionments of
7 aggregate rate revisions on either open or closed blocks of business between classes established at the time the policy form or
8 group of policy forms were approved by the Commissioner.

9

10 *History Note: Authority G.S. 58-2-40(1); 58-51-95; 58-63-15(7)b;*

11 *Eff. ~~June 1, 1992.~~ June 1, 1992.*

12 *Readopted Eff. October 1, 2018.*

13

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0207

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 9 – replace “not” with “shall not request”

Line 9 – replace “Once” with “If”

Line 9 – replace “must” with “shall”

Lines 12-13 – revise as follows:

(c) If a company establishes a Common Block for compliance with G.S. 58-51-95(h), the Closed Block portion of policy forms that make up the Common Block shall comply with G.S. 58-3-275.

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0207 is readopted as published in 32:23 NCR 2532 as follows:

2

3 **11 NCAC 16 .0207 COMMON BLOCK**

4 (a) As used in this Rule, "Common Block" means a grouping of similar policy form types for which the pooling of
5 experience is actuarially justified and for which the rate revisions are based upon the common experience. A Common
6 Block may include both open and closed policy form types.

7 (b) If a company establishes a Common Block for compliance with G.S. 58-51-95(h), with respect to all future rate
8 revision filings, the company shall request a common uniform rate revision to apply to all policy forms in the Common
9 Block and not an apportionment by form. Once policy forms are grouped into a Common Block, they must remain
10 grouped for future rate filings. Actuarially justified apportionments of the common rate increase, due to differences in
11 benefits between forms, shall be allowed.

12 (c) If a company establishes a Common Block for compliance with G.S. 58-51-95(h), then compliance with G.S. 58-3-
13 275 is required for the Closed Block portion of policy forms that make up the Common Block.

14 ~~(d) The requirements of 11 NCAC 16 .0201 with respect to a common block shall be satisfied for all policy forms within
15 the common block if the first filing is made prior to July 1, 2007. In the event that a policy form is added to a common
16 block, the next annual filing for the common block shall meet the requirements of this Rule for that policy form.~~

17

18 *History Note: Authority G.S. 58-2-40; 58-3-275; 58-51-95; 58-63-15(7)b;*
19 *Eff. July 1, 2006. July 1, 2016;*
20 *Readopted Eff. October 1, 2018.*

21

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0208

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 8 – replace “which” with “that”

Line 11 – add a comma after “that”

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0208 is readopted as published in 32:23 NCR 2532 as follows:

2

3 **11 NCAC 16 .0208 ANNUAL ACTUARIAL CERTIFICATIONS FOR LONG-TERM CARE FORMS**

4 For actuarial certifications required by G.S. 58-51-95(i):

5 (1) The actuarial certification shall be made by an individual who is either a Fellow or an Associate of the
6 Society of Actuaries, a Fellow or an Associate of the Casualty Actuarial Society, or a member of the
7 American Academy of Actuaries.

8 (2) For a policy form which becomes closed, but for which no corrective action is currently required, or
9 for other situations for which no corrective action is currently required, the actuary shall, in lieu of the
10 plan of corrective action required by G.S. 58-51-95(i)(2), provide a certification that the actuary has
11 reviewed the historical experience for the policy form and that in the actuary's opinion, a rate revision
12 is not currently justified.

13

14 *History Note:* Authority G.S. 58-2-40; 58-2-171; 58-3-275; 58-51-95; 58-63-15(7)b;

15 *Eff. ~~July 1, 2006.~~ July 1, 2006;*

16 *Readopted Eff. October 1, 2018.*

17

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0401

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 12 – add “or” after the semicolon

Line 14 – add a comma after “insurance”

Line 16 – add a comma after “creditor”

Lines 23 and 28 – replace “which” with “that”

Lines 26-30; 34-page 2, line 1; and page 2, lines 11-15 – do not capitalize the first word in these Sub-Items

Line 31 – replace “can be” with “is”

Page 2, line 6 – revise as follows:

increase in provision for incurred claims, whether reported or not, from the beginning to the end of the

Page 2, lines 22-23 – replace the parentheses with commas

Line 23 – add “claims” after “any”

Line 25 – replace “is” with “shall be”

Line 30 – is “for the case” necessary? Do you mean “for the plan of insurance associated with the case”?

Line 34 – replace “or” with a comma

Line 35 – add a comma after “Actuaries”

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0401 is readopted as published in 32:23 NCR 2532-2533 as follows:

2
3 **SECTION .0400 - CREDIT LIFE ACCIDENT AND HEALTH RATE DEVIATION**

4
5 **11 NCAC 16 .0401 DEFINITIONS**

6 As used in this Section:

- 7 (1) "Class of Business" means one of the following determined by the source of the business:
- 8 (a) Credit Unions;
 - 9 (b) Commercial Banks and Savings and Loan Associations;
 - 10 (c) Finance Companies;
 - 11 (d) Motor Vehicle Dealers;
 - 12 (e) Other Sales Finance;
 - 13 (f) All Others.
- 14 (2) "Account" means the aggregate credit life insurance, credit accident and health insurance or credit
15 unemployment insurance coverage for a single plan of insurance and for a single class of business written
16 through a single creditor whether coverage is written on a group or individual basis.
- 17 (3) "Case" means either a "Single Account Case" or a "Multiple Account Case" as follows:
- 18 (a) "Single Account Case" means an account that is at least 25% credible or, at the option of the
19 insurer, any higher percentage as determined by the Credibility Formula as defined in Item (6) of
20 this Rule; and
 - 21 (b) "Multiple Account Case" means two or more accounts of the same plan of insurance and class of
22 business having similar underwriting characteristics, excluding single account cases defined in
23 Sub-item (3)(a) of this Rule, and which, when combined, are at least as credible as the minimum
24 level of credibility elected in Sub-item (3)(a) of this Rule.
- 25 (4) "Plan of Insurance" means:
- 26 (a) Decreasing term credit life insurance on single or joint lives;
 - 27 (b) Level term credit life insurance on single or joint lives;
 - 28 (c) Credit accident and health insurance on single or joint lives, with single premiums which vary by
29 waiting period and retroactive or nonretroactive benefits; and
 - 30 (d) Credit Unemployment insurance on single or joint lives.
- 31 (5) "Credibility Factor" means the degree to which the past experience of a case can be expected to occur in
32 the future.
- 33 (6) "Credibility Formula" means the following process used to calculate the credibility factor:
- 34 (a) Determine the incurred claim count during the experience period;
 - 35 (b) Divide Sub-item (6)(a) of this Rule by 1082;
 - 36 (c) Take the square root of Sub-item (6)(b) of this Rule; and

- 1 (d) The credibility factor is the lesser of the number one and the results of Sub-item (6)(c) of this
2 Rule.
- 3 (7) "Earned Premium at Current Approved Rate" means North Carolina earned premium, during the
4 experience period, restated as though the current North Carolina approved rate had been charged.
- 5 (8) "Incurred Claims" means North Carolina incurred claims during the experience period including the
6 increase in provision for incurred (whether reported or not) claims from the beginning to the end of the
7 period.
- 8 (9) "Expense Ratio" means the ratio of the insurer's operating expenses for a class of business and plan of
9 insurance to its earned premium for that class of business and plan of insurance.
- 10 (10) "Operating Expenses" means any combination of the following expenses:
11 (a) Commissions;
12 (b) Other acquisition;
13 (c) General Administration;
14 (d) Taxes, licenses, and fees; and
15 (e) Profit and contingency margin.
- 16 (11) "Benchmark Loss Ratio" means the percentage of premium that is expected to be used to pay losses. It is
17 calculated by subtracting the expense loss ratio from the number one.
- 18 (12) "Rate Adjustment Factor" means the result of the calculations in 11 NCAC 16 .0403(15).
- 19 (13) "Experience Period" means the period of time for which experience is reported, but not for a period longer
20 than the most recent three years.
- 21 (14) "Incurred Claim Count" means the number of North Carolina claims incurred for the case during the
22 experience period. This means the total number of claims reported during the experience period (whether
23 paid or in the process of payment) plus any incurred but not reported at the end of the experience period
24 less the number of claims incurred but not reported at the beginning of the experience period. If a debtor
25 has been issued more than one certificate for the same plan of insurance, then only one claim is counted. If
26 a debtor receives credit disability or credit unemployment benefits, then only the initial claim payment for
27 that period of disability or period of unemployment is counted.
- 28 (15) "Incurred Loss Ratio at Current Approved Rate" means the ratio of incurred claims, as defined in Item (8)
29 of this Rule, to earned premium at current North Carolina approved rate, as defined in Item (7) of this Rule,
30 for the case.
- 31 (16) "Class of Business Incurred Loss Ratio at Current Approved Rate" means the ratio of incurred claims, as
32 defined in Item (8) of this Rule, to earned premium at current North Carolina approved rate, as defined in
33 Item (7) of this Rule, for the class of business and plan of insurance associated with the case.
- 34 (17) "Qualified Actuary" means an individual who is a member of the American Academy of Actuaries or an
35 Associate or Fellow of the Society of Actuaries. ~~Actuaries or an Associate or Fellow of the Casualty~~
36 Actuarial Society.

1 (18) "Maximum Approved Rate" means the current North Carolina approved rate for the case multiplied by the
2 prima facie rate adjustment factor as defined in Item (12) of this Rule.

3

4 *History Note:* *Authority G.S. 58-2-40; 58-57-35(a); 58-57-70;*

5 *Eff. ~~January 1, 1994.~~ January 1, 1994;*

6 *Readopted Eff. October 1, 2018.*

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0402

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Lines 5-6 – delete the commas

Line 9 – replace “deviated rates” with “rate deviations”

Lines 13-16 – begin these lines with “the”

Lines 13-16 and 18-22 – do not capitalize the first word in these Subparagraphs

Line 16 – replace the parentheses with commas

Line 18 – in Rule .0503, the phrase “name of the qualified actuary” is deleted. Should it be deleted here also? The two rules should be consistent. If the phrase is retained, revise as follows: “the name of the qualified actuary and that he or she has reviewed...”

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0402 is readopted as published in 32:23 NCR 2534 as follows:

2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

11 NCAC 16 .0402 GENERAL SUBMISSION REQUIREMENTS

(a) All rate deviation requests, including the data required by Rule .0403 of this Section, shall be submitted to ~~and stamped received by~~ the Life and Health Division. All rate deviation requests shall be submitted no later than March 31, of each calendar year, to become effective during the calendar year of ~~submission, with the exception of rate deviations submitted for use in calendar year 1994.~~ submission.

(b) All experience used in the calculation of the rate deviation shall only be North Carolina experience.

(c) All deviated rates shall be submitted, in accordance with this Rule, to the Life and Health Division each succeeding year for reevaluation.

(d) All rate deviation calculations shall be performed by or under the supervision of a qualified actuary.

(e) The following information shall be submitted in regards to the qualified actuary:

- (1) Name of the qualified actuary;
- (2) Professional designations of the qualified actuary, e.g. A.S.A., F.S.A., ACAS, FCAS, or M.A.A.A.;
- (3) Name and address of the company or actuarial consulting firm employing the qualified actuary; and
- (4) Telephone number (including extension) of the qualified actuary.

(f) The qualified actuary shall include in the credit rate deviation request a written statement certifying the following:

- (1) That the qualified actuary (~~Name~~ (name of qualified actuary) has reviewed Rules .0401 through .0403 of this Section;
- (2) That the qualified actuary certifies that all submitted calculations and data preparation are in conformity with Rules .0401 through .0403 of this Section; and
- (3) That all data submitted are accurate and in conformity with Rule .0401 of this Section.

*History Note: Authority G.S. 58-2-40; 58-57-35(a); 58-57-70;
Eff. ~~January 1, 1994.~~ January 1, 1994;
Readopted Eff. October 1, 2018.*

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0403

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 6 – add a comma after “follows”

Lines 8-32 – do not capitalize the first word in these Sub-Items

Line 9 – replace “case. For a” with “case and, for a”

Lines 20 and 24 – replace “i.e.” with “as in the following formula:”

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0403 is readopted as published in 32:23 NCR 2534 as follows:

2

3 **11 NCAC 16 .0403 CALCULATION PROCEDURE AND DATA REQUIREMENTS FOR RATE**
4 **DEVIATIONS**

5 An insurer requesting a rate deviation shall submit to the Department of Insurance the following information, the results
6 of each calculation as follows and the corresponding data required to perform each calculation in accordance with this
7 Rule, identified for each case for which the insurer is requesting a rate deviation:

- 8 (1) Identification of the class of business and plan of insurance associated with the case;
- 9 (2) Identification of the single or multiple account case. For a multiple account case, identification of
10 each case;
- 11 (3) For the case, calculate the incurred loss ratio at the current North Carolina approved rate as defined in
12 Rule .0401(15) of this Section;
- 13 (4) For the case, calculate the credibility factor using the credibility formula as defined in 11 NCAC 16
14 .0401(6);
- 15 (5) Multiply Item (3) of this Rule by Item (4) of this Rule;
- 16 (6) For the class of business, calculate the class of business incurred loss ratio at current North Carolina
17 approved rate as defined in 11 NCAC 16. 0401(16);
- 18 (7) For the class of business, calculate the credibility factor using the credibility formula as defined in 11
19 NCAC 16.0401(6);
- 20 (8) Multiply Item (7) of this Rule by the quantity one minus Item (4) of this Rule, i.e. Item (7) of this Rule
21 x [1 - Item (4) of this Rule];
- 22 (9) Multiply Item (6) of this Rule by Item (8) of this Rule;
- 23 (10) Multiply the quantity one minus Item (4) of this Rule by the quantity one minus Item (7) of this Rule,
24 i.e. [1 - Item (4) of this Rule] x [1 - Item (7) of this Rule];
- 25 (11) Multiply .60 by Item (10) of this Rule;
- 26 (12) Add Items (5), (9) and (11) of this Rule;
- 27 (13) Calculate the expense ratio as defined in 11 NCAC 16. 0401(9);
- 28 (14) Calculate the benchmark loss ratio as defined in 11 NCAC 16. 0401(11);
- 29 (15) The rate adjustment factor is equal to Item (12) of this Rule divided by Item (14) of this Rule;
30 however, if the rate adjustment factor is greater than or equal to 0.95 and less than or equal to 1.05,
31 then the rate adjustment factor shall be set equal to the number one; and
- 32 (16) The maximum approved rate in effect for a period of 12 months is equal to the current North Carolina
33 approved rate for the case multiplied by Item (15) of this Rule.

34

35 *History Note* *Authority G.S. 58-2-40; 58-57-35(a); 58-57-70;*
36 *Eff. January 1, 1994;*
37 *Amended Eff. ~~October 1, 2008.~~ October 1, 2008.*

1
2
3
4

Readopted Eff. October 1, 2018.

1 11 NCAC 16 .0501 is readopted as published in 32:23 NCR 2534 as follows:

2

3 **SECTION .0500 - CREDIT UNEMPLOYMENT MINIMUM LOSS RATIO STANDARD**

4

5 **11 NCAC 16 .0501 MINIMUM INCURRED LOSS RATIO**

6 The premium rates charged for credit unemployment insurance shall be reasonable in relation to the benefits provided as
7 indicated by a minimum annual incurred loss ratio of 60%.

8

9 *History Note: Authority G.S. 58-2-40; 58-57-110(a);*

10 *Eff. January 1, 1994;*

11 *Amended Eff. ~~November 1, 2011.~~ November 11, 2011;*

12 *Readopted Eff. October 1, 2018.*

13

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0502

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 13 – replace the parentheses with commas

Line 13 – add “claims” after “any”

Line 15 – replace “is” with “shall be”

Line 16 – replace “can be” with “is”

Lines 18-21 – do not capitalize the first word in these Sub-Items

Line 23 – replace “or” with a comma

Line 24 – add a comma after “Actuaries”

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0502 is readopted as published in 32:23 NCR 2534 as follows:

2
3 **11 NCAC 16 .0502 DEFINITIONS**

4 As used in this Section:

- 5 (1) "Earned Premium" means North Carolina credit unemployment earned premium, during the experience
6 period, restated as though the current North Carolina credit unemployment rate had been charged.
- 7 (2) "Incurred Claims" means North Carolina credit unemployment incurred ~~claims~~ losses during the experience
8 period.
- 9 (3) "Experience Period" means the period of time for which experience is reported, but not for a period longer
10 than the most recent three years.
- 11 (4) "Incurred Claim Count" means the number of North Carolina credit unemployment claims incurred during
12 the experience period. This means the total number of claims reported during the experience period
13 (whether paid or in the process of payment) plus any incurred but not reported at the end of the experience
14 period less the number of claims incurred but not reported at the beginning of the experience period. Only
15 the initial claim payment for that period of unemployment is counted.
- 16 (5) "Credibility Factor" means the degree to which the past experience can be expected to occur in the future.
- 17 (6) "Credibility Formula" means the following process used to calculate the credibility factor:
- 18 (a) Determine the incurred claim count during the experience period;
- 19 (b) Divide Sub-item (6)(a) of this Rule by 1082;
- 20 (c) Take the square root of Sub-item (6)(b) of this Rule; and
- 21 (d) The credibility factor is the lesser of the number one and the results of Sub-item (6)(c) of this
22 Rule.
- 23 (7) "Qualified Actuary" means an individual who is a member of the American Academy of Actuaries or an
24 Associate or Fellow of the Society of Actuaries. ~~Actuaries. Actuaries of an Associate or Fellow of the Causality~~
25 Actuarial Society.
- 26 (8) "Incurred Loss Ratio at Current Credit Unemployment Rate" means the ratio of incurred ~~claims~~ losses, as
27 defined in Item (2) of this Rule, to earned premium, as defined in Item (1) of this Rule.

28
29 *History Note: Authority G.S. 58-2-40; 58-57-70; 58-57-110(a);*
30 *Eff. ~~January 1, 1994.~~ January 1, 1994;*
31 *Readopted Eff. October 1, 2018.*
32

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0503

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Lines 12-15 and 18-22 – do not capitalize the first word in these Subparagraphs

Lines 12-15 – begin each line with “the”

Line 15 – replace the parentheses with commas

Line 18 – in Rule .0402, the phrase “name of the qualified actuary” is deleted. Should it be deleted here also? The two rules should be consistent. If the phrase is retained, revise as follows: “the name of the qualified actuary and that he or she has reviewed...”

Line 22 – begin this line with “that”

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0503 is readopted as published in 32:23 NCR 2534-2435 as follows:

2

3 **11 NCAC 16 .0503 GENERAL SUBMISSION REQUIREMENTS**

4 (a) All credit unemployment minimum incurred loss ratio compliance demonstrations shall be submitted to ~~and stamped~~
5 ~~received by the Life and Health Division.~~Division upon request. ~~All submitted demonstrations shall be submitted no~~
6 ~~later than March 31 of each calendar year, to become effective during the calendar year of submission, with the exception~~
7 ~~of submitted demonstrations for use in calendar years 1994 through 1996.~~

8 (b) All experience used in the demonstration of compliance shall be only North Carolina experience.

9 (c) All compliance demonstrations shall be submitted, in accordance with this Rule, to the Life and Health Division each
10 succeeding year for reevaluation.

11 (d) The following information shall be submitted in regards to the qualified actuary:

- 12 (1) Name of the qualified actuary;
- 13 (2) Professional designations of the qualified ~~actuary, e.g. A.S.A., F.S.A., or M.A.A.A.;~~ actuary;
- 14 (3) Name and address of the company or actuarial consulting firm employing the qualified actuary; and
- 15 (4) Telephone number (including extension) of the qualified actuary.

16 (e) The qualified actuary shall include in the credit unemployment rate request a written statement certifying the
17 following:

- 18 (1) That the qualified actuary (~~name of qualified actuary~~) has reviewed Rules .0501 through .0504 of this
19 Section;
- 20 (2) That the qualified actuary certifies that all submitted calculations and data preparation are in
21 conformity with Rules .0501 through .0504 of this Section; and
- 22 (3) All data submitted are accurate and in conformity with Rule .0502 of this Section.

23

24 *History Note:* Authority G.S. 58-2-40; 58-57-70; 58-57-110(a);
 25 Eff. January 1, 1994;
 26 Amended Eff. ~~November 1, 2011.~~ November 1, 2011;
 27 Readopted Eff. October 1, 2018.

28

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0504

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 4 – add “to the Department of Insurance” after “submit”

Line 5 – delete “to the Department of Insurance”

Lines 6-11 – do not capitalize the first word in these Items

Line 11 – replace “is” with “shall be”

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0504 is readopted as published in 32:23 NCR 2535 as follows:

2

3 **11 NCAC 16 .0504 CALCULATION PROCEDURE AND DEMONSTRATION OF COMPLIANCE**

4 Each credit unemployment insurer shall submit the results of each calculation as follows and the corresponding data required
5 to perform each calculation in accordance with this Rule to the Department of Insurance:

- 6 (1) Calculate the incurred loss ratio at current credit unemployment rate as defined in 11 NCAC 16 .0502(8);
- 7 (2) Calculate the credibility factor using the credibility formula as defined in 11 NCAC 16 .0502(6);
- 8 (3) Multiply Item (1) of this Rule by Item (2) of this Rule;
- 9 (4) Multiply .60 by the quantity one minus Item (2) of this Rule;
- 10 (5) Add Items (3) and (4) of this Rule; and
- 11 (6) Divide Item (5) of this Rule by .60. Compliance with 11 NCAC 16 .0501 is satisfied if this quotient is
12 equal to or greater than one. If this quotient is less than one, then in order to satisfy 11 NCAC 16 .0501 the
13 insurer shall decrease the current credit unemployment rate until the quotient is equal to or greater than
14 one.

15

16 *History Note: Authority G.S. 58-2-40; 58-57-70; 58-57-110(a);*

17 *Eff. ~~January 1, 1994.~~ January 1, 1994;*

18 *Readopted Eff. October 1, 2018.*

19

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0601

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 6 – replace “are incorporated in this Section by reference” with “shall apply in this Section”

Line 15 – replace “specific” with “specified”

Line 16 – replace “can” with “may”

Line 21 – add “the” before “members”

Line 21 – add a comma after “categories”

Line 22 – delete the comma after “status”

Line 33 – replace the semicolon with a comma

Line 35 add a comma after “request”

Page 2, line 3 – add a comma after “expenses”

Page 2, line 3 – do you mean “in” or “from”?

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0601 is readopted as published in 32:23 NCR 2535 as follows:
2

3 **SECTION .0600 - HEALTH MAINTENANCE ORGANIZATION FILINGS AND STANDARDS**
4

5 **11 NCAC 16 .0601 DEFINITIONS**

6 (a) The definitions contained in G.S. 58-67-5 are incorporated in this Section by reference.

7 (b) As used in this Section:

- 8 (1) "Adjusted community rating" means a rating method that allows an HMO to prospectively establish
9 premium rates based upon the expected revenue requirements for individual groups and to take into
10 account a group's historical utilization, intensity, or cost experience.
- 11 (2) "Capitated" means covered health care services are provided by an HMO, medical group, or institution
12 based on a prepaid fixed amount per enrollee regardless of the actual value of those services.
- 13 (3) "Community rating" means a general method of establishing premiums for financing health care in which
14 an individual's rate is based on the actual or anticipated average cost of health services used by all HMO
15 members in a specific service area.
- 16 (4) "Community rating by class" means a modification of community rating whereby individual groups can
17 have different rates depending on the composition by age, gender, number of family members covered,
18 geographic area, or industry.
- 19 (5) "Contingency reserve" means the unassigned funds held over and above any known or estimated liabilities
20 of an HMO for the protection of its enrollees against the insolvency of the HMO.
- 21 (6) "Contract type" means a classification of members into categories usually based on enrolled dependent
22 status, such as subscriber only, subscriber with one dependent, and subscriber with two or more
23 dependents.
- 24 (7) "Credibility rating" means a rating method that establishes premium rates based upon the assignment of a
25 level of credibility to an HMO group's historical utilization, intensity, or cost experience.
- 26 (8) "Fee-for-service" means payment for health care services is made on a retrospective basis based on the
27 actual value of those services.
- 28 (9) "Full-service HMO" means an HMO that provides a comprehensive range of medical services, including
29 hospital and physician services.
- 30 (10) "HMO expansion request" means all materials submitted for the purpose of obtaining authority to operate
31 an HMO in a new or expanded geographic area in this State.
- 32 (11) "HMO model type" means a classification that describes the manner in which physicians are affiliated with
33 the HMO and the contractual and payment arrangements with hospitals; and includes types such as group,
34 network, staff, independent practice association, and point-of-service.
- 35 (12) "HMO rate filing" means an initial HMO rate filing, an HMO expansion request or an HMO rate revision
36 filing.

- 1 (13) "HMO rate revision filing" means all materials submitted for the purpose of making a revision to an
2 existing schedule of premiums.
- 3 (14) "Incurred loss ratio" means the ratio of total medical expenses including the change in claim reserves to
4 total earned premium revenues.
- 5 (15) "Initial HMO rate filing" means all materials submitted for the purpose of obtaining a certificate of
6 authority to operate an HMO in this State.
- 7 (16) "Single-service HMO" means an HMO that undertakes to provide or arrange for the delivery of a single or
8 limited type of health care service to a defined population on a prepaid basis.

9

10 *History Note:* *Authority G.S. 58-67-50(b); 58-67-150;*

11 *Eff. ~~April 1, 1995.~~ April 1, 1995;*

12 *Readopted Eff. October 1, 2018.*

13

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0602

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 4 – add “all” before “amendments”

Line 5 – add “shall” before “indicate”

Line 6 – replace “must” with “shall”

Line 12 – add “or her” after “his”

Lines 13-14 – what does “not excessive, inadequate, or unfairly discriminatory” mean? Is this a term of art that is well-understood by your regulated public?

Lines 18-20 – consider revising consistently with Rule .0401, as follows:

As used in Paragraph (b) of this Rule, "qualified actuary" means an individual who is a member of the American Academy of Actuaries, an Associate or Fellow of the Society of Actuaries, or an Associate or Fellow of the Casualty Actuarial Society, and has at least three years of substantive experience in the HMO or another managed health care field.

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0602 readopted as published in 32:23 NCR 2535 as follows:

2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

11 NCAC 16 .0602 HMO GENERAL FILING REQUIREMENTS

(a) All schedules of premiums for enrollee coverage for health care services and amendments to schedules of premiums that are filed with the Department shall be submitted to and stamped received by the Life and Health Division and indicate whether the filing is an original or amended filing. All data requirements prescribed by this Section must be submitted within 30 days after the date that the filing is stamped received, or the filing will be deemed to be disapproved. Subsequent data submissions for rate filings deemed to be in non-compliance with this Section shall be made directly to the Department's Actuarial Services Division within the 30 day period.

(b) All filings shall be accompanied by:

- (1) A certification by a qualified actuary that the premiums applicable to an enrollee are not individually determined based on the status of his health and that such premiums are established in accordance with actuarial principles for various categories of enrollees and are not excessive, inadequate, or unfairly discriminatory.
- (2) Actuarial data supporting the schedule of premiums as prescribed by 11 NCAC 16 .0603, 11 NCAC 16 .0604, 11 NCAC 16 .0605, 11 NCAC 16 .0206 and 11 NCAC 16 .0207.

~~(c) All data and schedules that are required to be filed by this Section shall be filed in duplicate.~~

~~(c)~~ As used in Paragraph (b) of this Rule, "qualified actuary" means an individual who is an Associate or Fellow of the Society of Actuaries or a Member of the American Academy of Actuaries and has at least three years of substantive experience in the HMO or another managed health care field.

History Note: Authority G.S. 58-67-50(b); 58-67-150;
Eff. April 1, 1995;
Amended Eff. ~~February 1, 1996.~~ February 1, 1996;
Readopted Eff. October 1, 2018.

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0603

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Lines 5-23 – do not capitalize the first word in these Items

Line 18 – add a comma after “rates”

Line 22 – add “and” after the semicolon

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0603 is readopted as published in 32:23 NCR 2535 **with changes** as follows:

2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

11 NCAC 16 .0603 HMO RATE FILING DATA REQUIREMENTS

All HMO rate filings shall include the following data:

- (1) Identification and a brief description of the HMO model type;
- (2) Identification of the enrollee issue basis, whether individual or group;
- (3) Identification and a brief description of the type of rating methodology, such as community rating, community rating by class, adjusted community rating, credibility rating, or other;
- (4) Identification and listing of all rate classification factors, such as age, gender, geographic area, industry, group size, or effective date;
- (5) A brief, summary description and numerical demonstration of the development of the capitated rate, including a listing of sources used;
- (6) A brief, summary description and numerical demonstration of the development of any portion of the premium rate developed for fee-for-service claims, including a listing of sources used;
- (7) A brief, summary description of the claim reserving methodology and the incorporation of claim reserves into the premium rate;
- (8) A brief, summary description of the procedure and assumptions used to convert the total per member per month cost to the proposed premium rates; including assumptions for the distribution of community rated contracts by contract type, the ratios by tier to the single rate, and the average number of members in each contract type;
- (9) The projected monthly incurred loss ratios for the period of time equal to the number of months for which the rates will be in effect, plus the number of months the rates will be guaranteed;
- (10) The percentage of **the per each member's member per month monthly** premium for administrative expenses and for surplus.

*History Note: Authority G.S. 58-67-50(b); 58-67-150;
Eff. April 1, 1995. April 1, 1995;
Readopted Eff. October 1, 2018.*

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0604

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Lines 5 and 7 – do not capitalize “a”

Line 6 – replace the period with “; and”

Line 9 – add a comma after “revenues”

Line 15 – after the semicolon add either “and” or “or”

Lines 18, 20, 22, and 26 – replace “which” with “that”

Line 27 – replace “rates; identification” with “rates. Identification”

Line 27 – add “and” after the semicolon

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0604 is readopted as published in 32:23 NCR 2536 as follows:

2
3 **11 NCAC 16 .0604 INITIAL HMO RATE FILING DATA REQUIREMENTS AND STANDARDS**

4 (a) All initial HMO rate filings shall include, in addition to the data required by 11 NCAC 16 .0603, the following data:

- 5 (1) A comparison of the rates to other HMO rates with the same effective date in North Carolina for similar
6 benefit plans.
7 (2) ~~A completed diskette, provided by the Actuarial Services Division of the Department, containing a~~ A three-
8 year financial projection projection, provided by the Department's Actuarial Services Division, that details
9 total membership, revenues and expenses, and that includes a statement of cash flow, a balance sheet, and a
10 statement of working capital and net worth.

11 (b) All initial HMO rate filings shall use in the rate development a total retention loading of:

- 12 (1) no greater than 25.0% of the total premium rate for full-service HMO products issued on a group basis;
13 (2) no greater than 35.0% of the total premium rate for single-service HMO products issued on a group basis;
14 (3) no greater than 35.0% of the total premium rate for full-service HMO products issued on an individual
15 basis;
16 (4) no greater than 45.0% of the total premium rate for single-service HMO products issued on an individual
17 basis.

18 (c) If an HMO uses a total retention loading which is less than the maximum limit cited in Paragraph (b) of this Rule minus
19 15.0%, then the following supporting documentation shall be included in the filing:

- 20 (1) a listing of each of the specific components which make up the total retention loading expressed as a
21 percentage of premium;
22 (2) a brief description of the methodology employed to obtain each of the components which make up the total
23 retention loading;
24 (3) a brief explanation as to why any of the components which make up the total retention loading have
25 changed and a statement of opinion from an officer of the HMO that these changes are permanent in
26 nature;
27 (4) a brief, summary description of the impact of any special fee negotiations or contract arrangements which
28 affect the premium rates; identification of specific hospitals or physician groups is not required;
29 (5) a comparison of the rates to other HMO rates with similar benefit plans.

30 (d) All HMO's must project a positive net income after taxes in each of the last 12 months of the three year financial
31 projection.

32
33 *History Note: Authority G.S. 58-67-10(d)(1); 58-67-50(b); 58-67-150;*
34 *Eff. April 1, 1995. April 1, 1995;*
35 *Readopted Eff. October 1, 2018.*
36

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0605

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Lines 5 and 7 – do not capitalize “a”

Line 6 – replace the period with “; and”

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0605 is readopted as published in 32:23 NCR 2536 as follows:

2

3 **11 NCAC 16 .0605 HMO EXPANSION REQUEST DATA REQUIREMENTS**

4 All HMO expansion requests shall include, in addition to the data required by 11 NCAC .0603, the following data:

5 (1) ~~a~~ A comparison of the actual financial results, including total membership, revenues, and expenses, to the
6 projected financial results for at least the most recent 12-month ~~period;~~ period.

7 (2) ~~a completed diskette, provided by the Actuarial Services Division of the Department, containing a~~ A three-
8 year financial ~~projection~~ projection, provided by the Department's Actuarial Services Division, that details
9 total membership, revenues, and expenses, and that includes a statement of cash flow, a balance sheet, and
10 a statement of working capital and net worth for both the existing service area and the proposed area of
11 expansion.

12

13 *History Note: Authority G.S. 58-67-10(d)(1); 58-67-50(b); 58-67-150;*

14 *Eff. April 1, 1995. April 1, 1995;*

15 *Readopted Eff. October 1, 2018.*

16

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0606

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 9 – replace the comma with a semicolon

Lines 11 and 12 – I believe these lines should be tabbed to line up vertically with lines 9 and 10.

Lines 15 and 17 – replace “any” with “all” if that is what is meant

Line 17 – make “factor” plural is you replace “any” with “all”

Line 20 – add “and” after the semicolon

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 17 .0606 is readopted as published in 32:23 NCR 2536-2537 as follows:

2
3 **11 NCAC 16 .0606 HMO RATE REVISION FILING DATA REQUIREMENTS**

4 All HMO rate revision filings shall include, in addition to the data required by 11 NCAC 16 .0603, the following data:

- 5 (1) a brief, summary description of the scope and reason for any rate revision, including the methodology
6 employed to determine the revised rates;
- 7 (2) the number of months the rates will be in effect and the number of months the rates will be guaranteed;
- 8 (3) the dates and average percentage amounts of:
- 9 (a) all prior rate revisions in North Carolina during the preceding three years, and
10 (b) the current rate revision request;

11 and quarterly rate increases shall be shown in comparison to both the immediately preceding quarter and the corresponding
12 quarter of the previous 12-month period;

- 13 (4) the North Carolina average annual per member per month premium revenue before and after the rate
14 revision;
- 15 (5) a brief, summary explanation of any deviations in actual versus expected utilization rates or medical costs
16 that may be used to justify a premium rate revision;
- 17 (6) identification and a brief, summary description of the derivation of any trend factor used to project medical
18 expenses;
- 19 (7) a comparison of the actual financial results, including total membership, revenues, and expenses, to the
20 projected financial results for at least the most recent 12-month period;
- 21 (8) ~~a completed diskette, provided by the Actuarial Services Division of the Department, that contains a~~
22 financial projection for the period of time equal to the number of months the rates will be in effect plus the
23 number of months the rates will be guaranteed, provided by the Department Actuarial Services Division,
24 that details total membership, revenues, and expenses, and that includes a statement of cash flow, a balance
25 sheet, and a statement of working capital and net worth.

26
27 *History Note: Authority G.S. 58-67-50(b); 58-67-150;*

28 *Eff. April 1, 1995. April 1, 1995;*

29 *Readopted Eff. October 1, 2018.*

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0607

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 4 – add “shall” before “apply”

Lines 6, 15, 17, 19, and 23, and 36 – replace “which” with “that”

Line 10 – add “and” after the semicolon

Line 11 – replace the semicolon with a period

Line 13 – delete the comma

Line 15 – replace “listing” with “list”

Line 22 – replace “any” with “all”

Line 23 – replace “rates; identification” with “rates. Identification”

Line 24 – add “and” after the semicolon

Line 26 – add “shall” before “apply”

Line 31 – add “and” after the semicolon

Line 32 – replace the semicolon with a period

Line 36 – replace “listing” with “list”

Page 2, lines 1, 3, and 7 – replace “which” with “that”

Page 2, line 7 – replace “rates; identification” with “rates. Identification”

Page 2, line 8 – add “and” after the semicolon

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0607 is readopted as published in 32:23 NCR 2537 as follows:

2
3 **11 NCAC 16 .0607 HMO INCURRED LOSS RATIO STANDARDS**

4 (a) The following apply to all HMO rate revision filings:

5 (1) The application of a requested rate increase or decrease shall result in an average incurred loss ratio
6 projected for North Carolina over the period required in 11 NCAC 16 .0606(8) of this Section which is
7 not less than:

8 (A) 75.0% for full-service HMO products issued on a group basis;

9 (B) 65.0% for single-service HMO products issued on a group basis;

10 (C) 65.0% for full-service HMO products issued on an individual basis;

11 (D) 55.0% for single-service HMO products issued on an individual basis;

12 (2) If the average incurred loss ratio projected for North Carolina over the period required in 11 NCAC 16
13 .0606(8) of this Section, is greater than the minimum limit cited in Subparagraph (a)(1) of this Rule
14 plus 15.0%, then the following supporting documentation shall be included in the filing:

15 (A) a listing of each of the specific components which make up the total retention loading
16 expressed as a percentage of premium;

17 (B) a brief description of the methodology employed to obtain each of the components which
18 make up the total retention loading;

19 (C) a brief explanation as to why any of the components which make up the total retention
20 loading have changed and a statement of opinion from an officer of the HMO that these
21 changes are permanent in nature;

22 (D) a brief, summary description of the impact of any special fee negotiations or contract
23 arrangements which affect the premium rates; identification of specific hospitals or physician
24 groups is not required;

25 (E) a comparison of the rates to other HMO rates with similar benefit plans.

26 (b) The following apply to all initial HMO rate filings and HMO expansion requests:

27 (1) The average incurred loss ratio projected for North Carolina over the last 12 months of the three year
28 financial projection period shall be no less than:

29 (A) 75.0% for full-service HMO products issued on a group basis;

30 (B) 65.0% for single-service HMO products issued on a group basis;

31 (C) 65.0% for full-service HMO products issued on an individual basis;

32 (D) 55.0% for single-service HMO products issued on an individual basis;

33 (2) If the average incurred loss ratio projected for North Carolina over the last 12 months of the three year
34 financial projection is greater than the minimum limit cited in Subparagraph (b)(1) of this Rule plus
35 15.0%, then the following supporting documentation shall be included in the filing:

36 (A) a listing of each of the specific components which make up the total retention loading
37 expressed as a percentage of premium;

- 1 (B) a brief description of the methodology employed to obtain each of the components which
- 2 make up the total retention loading;
- 3 (C) a brief explanation as to why any of the components which make up the total retention
- 4 loading have changed and a statement of opinion from an officer of the HMO that these
- 5 changes are permanent in nature;
- 6 (D) a brief, summary description of the impact of any special fee negotiations or contract
- 7 arrangements which affect the premium rates; identification of specific hospitals or physician
- 8 groups is not required;
- 9 (E) a comparison of the rates to other HMO rates with similar benefit plans.

10

11 *History Note: Authority G.S. 58-67-50(b); 58-67-150;*

12 *Eff. ~~April 1, 1995.~~ April 1, 1995;*

13 *Readopted Eff. October 1, 2018.*

14

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0701

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 10 – replace “i.e.,” with “such as”

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0701 is readopted as published in 32:23 NCR 2537 as follows:

2

3 **SECTION .0700 - HEALTH MAINTENANCE ORGANIZATION CLAIM RESERVE DATA REQUIREMENTS**

4

5 **11 NCAC 16 .0701 DEFINITIONS**

6 As used in this Section:

7 (1) "Claim reserves" means reserves or liabilities held for claims incurred on or before the valuation date, but
8 unpaid as of the valuation date. Claim reserves include both reported and unreported claims. Claim
9 reserves are established for both accrued and unaccrued benefits.

10 (2) "Valuation date" means the date, i.e., March 31, June 30, September 30, or December 31, at which reserves
11 are estimated.

12

13 *History Note: Authority G.S. 58-2-40; 58-67-135(b);*
14 *Eff. ~~February 1, 1995.~~February 1, 1995;*
15 *Readopted Eff. October 1, 2018.*

16

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0702

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Lines 5 and 7 – replace “is considered as” with “shall be deemed”

Line 8 – replace “is” with “shall be”

Lines 8-11 – consider revising as follows:

For example: The incurred date for charges for inpatient hospital and physician visits in hospitals shall be the date of admission, for outpatient hospital charges shall be the date of service, and for surgical expenses shall be the date of the surgery.

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0702 is readopted as published in 32:23 NCR 2537 as follows:

2

3 **11 NCAC 16 .0702 CLAIMS**

4 (a) When an HMO has been informed that a claim has been incurred, if the date reported is on or before the valuation date,
5 the claim is considered as a reported claim.

6 (b) When an HMO has not been informed, on or before the valuation date, concerning a claim that has been incurred on or
7 before the valuation date, the claim is considered as an unreported claim.

8 (c) The date on which a claim is determined to be a liability of an HMO is the incurred date. For example: The charges for
9 inpatient hospital and physician visits in hospitals would be assigned an incurred date equal to the date of admission;
10 outpatient hospital charges would be assigned an incurred date equal to the date of service; and surgical expenses would be
11 assigned an incurred date equal to the date of the surgery.

12

13 *History Note: Authority G.S. 58-2-40; 58-67-135(b);*
14 *Eff. ~~February 1, 1995.~~ February 1, 1995;*
15 *Readopted Eff. October 1, 2018.*

16

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0703

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 8 – delete “as”

Line 9 – delete “(current year)”

Line 10 – delete the comma

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0703 is readopted as published in 32:23 NCR 2537 as follows:

2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

11 NCAC 16 .0703 CLAIM RESERVE FILING REQUIREMENTS

(a) A quarterly claim reserve data filing shall be made by any HMO that has been in operation for more than one full calendar year but less than three full calendar years.

(b) An annual claim reserve data filing shall be made by any HMO that satisfies either of the following conditions:

(1) for the most recent quarterly valuation the net worth less the contingency reserve is less than the statutory minimum as stated in G.S. 58-67-110(c) or G.S. 58-67-110(d); or

(2) for the most recent annual valuation (current year) the sum of the following exceeds 110 percent of the estimated liability of unpaid claims on December 31, of the previous year:

(A) total of claims paid during the year and incurred in previous years; and

(B) claims unpaid at December 31 of the current year on claims incurred in previous years.

(c) A triennial claim reserve data filing shall be made by all HMOs.

(d) All annual and triennial claim reserve data filings shall be sent to the Actuarial Services Division by March 1 of the reporting year.

(e) All quarterly claim reserve data filings shall be sent to the Actuarial Services Division within 45 days after the end of each calendar quarter.

*History Note: Authority G.S. 58-2-40; 58-67-135(b); 58-67-150;
Eff. February 1, 1995;
Amended Eff. ~~April 1, 1997~~ April 1, 1997;
Readopted Eff. October 1, 2018.*

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0704

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Lines 5-8, 11-14, and 17-19 – do not capitalize the first word in these Subparagraphs

Line 20 – what does this mean? Do you mean “claims described (or authorized, perhaps?) in Schedule H, Section H”? What is that schedule and where is it found?

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0704 is readopted as published in 32:23 NCR 2537 as follows:

2
3 **11 NCAC 16 .0704 CLAIM RESERVE DATA AND FORMAT REQUIREMENTS**

4 (a) The data requirements in Paragraph (b) of this Rule shall be recorded for the following types of claims:

- 5 (1) Inpatient Claims;
- 6 (2) Physician Claims;
- 7 (3) Referral Claims; and
- 8 (4) Other.

9 (b) For the most recent 24-month period immediately preceding and including the valuation date, the following "monthly"
10 historical data shall be recorded by the month in which the claim or payment was incurred and by the following:

- 11 (1) Cumulative number of claims reported through the 24-month period;
- 12 (2) Cumulative number of claims paid through the 24-month period;
- 13 (3) Cumulative dollar amount of claims paid through the 24-month period; and
- 14 (4) Cumulative dollar amount of claims incurred through the 24-month period.

15 (c) The following monthly historical data shall be recorded for the most recent 24-month period immediately preceding and
16 including the valuation date:

- 17 (1) Earned premiums by calendar month;
- 18 (2) Total number of enrollees at the beginning and end of each month; and
- 19 (3) Data on claim amounts greater than or equal to one hundred thousand dollars (\$100,000).

20 (d) Schedule H, Section II - Analysis of Unpaid Claims, updated as of the current valuation date.

21 ~~(e) All data in this Rule shall be recorded on a 3.5" diskette containing a LOTUS worksheet named CLM_RES.WK3 or
22 CLM_RES.WK1; which can be obtained from the Actuarial Services Division.~~

23 ~~(f) A hard copy of the LOTUS worksheet shall accompany the filing.~~

24
25 *History Note: Authority G.S. 58-2-40; 58-67-135(b); 58-67-150;*
26 *Eff. February 1, 1995;*
27 *Amended Eff. ~~December 1, 1995.~~ December 1, 1995;*
28 *Readopted Eff. October 1, 2018.*
29

1 11 NCAC 16 .0705 is readopted as published in 32:23 NCR 2537 as follows:

2

3 **11 NCAC 16 .0705 CLAIM RESERVE METHODOLOGY AND ACTUARIAL CERTIFICATION**

4 (a) A written description of the claim reserve methodology and a numerical verification of the claim reserves submitted
5 in 11 NCAC 16 .0704(d) shall be included with each annual filing.

6 (b) Each annual filing shall contain an actuarial certification signed by an actuary stating that the actuary has examined
7 the claim reserves listed in Schedule - H, Section II, and affirms that these claim reserves are calculated in accordance
8 with generally accepted actuarial principles and practices and in the actuary's opinion are adequate.

9

10 *History Note: Authority G.S. 58-2-40; 58-67-135(b);*

11 *Eff. ~~February 1, 1995~~ February 1, 1995;*

12 *Readopted Eff. October 1, 2018;*

13

REQUEST FOR TECHNICAL CHANGE

AGENCY: NC Department of Insurance

RULE CITATION: 11 NCAC 16 .0801

DEADLINE FOR RECEIPT: Friday, September 14, 2018

PLEASE NOTE: This request may extend to several pages. Please be sure you have reached the end of the document.

The Rules Review Commission staff has completed its review of this Rule prior to the Commission's next meeting. The Commission has not yet reviewed this Rule and therefore there has not been a determination as to whether the Rule will be approved. You may call our office to inquire concerning the staff recommendation.

In reviewing this Rule, the staff recommends that the following technical changes be made:

Line 7 – delete “To fulfill the requirements of G.S. 58-50-130(f),”

Lines 9-10 – revise as follows: “The opening paragraph shall state either of the following, as applicable.”

Lines 11 and 14 – replace “read as follows” with “state”

Line 19 – replace “A scope” with “Another”

Line 36 – replace “read as follows” with “state”

Page 2, line 1 – replace “method(s)” with “methods”

Page 2, line 4 – add “are” before “not”

Page 2, line 5 – add “are” before “being”

Page 2, line 14 – add “are” before “not”

Page 2, line 14 – replace “and” with a comma

Page 2, line 15 – add a comma after “areas”

Page 2, line 27 – replace the comma after “period” with a semicolon

Page 2, line 28 – replace the comma after “employer” with a semicolon

Page 2, line 33 – delete “that”

Page 3, line 8 – replace “shall” with either “will” or “does”

Page 3, line 23 – replace “must” with “shall”

Jason Thomas
Commission Counsel

Date submitted to agency: Thursday, August 30, 2018

Page 3, lines 25 and 27 – do not capitalize “a”

Page 3, line 26 – replace the period with “; and”

Please retype the rule accordingly and resubmit it to our office at 1711 New Hope Church Road, Raleigh, North Carolina 27609.

Jason Thomas
Commission Counsel
Date submitted to agency: Thursday, August 30, 2018

1 11 NCAC 16 .0801 is readopted as published in 32:23 NCR 2537 as follows:

2
3 **SECTION .0800 - SMALL EMPLOYER GROUP HEALTH INSURANCE ACTUARIAL CERTIFICATION**

4
5 **11 NCAC 16 .0801 SMALL EMPLOYER GROUP HEALTH INSURANCE ACTUARIAL**
6 **CERTIFICATION**

7 (a) To fulfill the requirements of G.S. 58-50-130(f), each small employer group carrier, as defined in G.S. 58-50-
8 110(23), shall use the following language in its actuarial certification:

9 (1) The opening paragraph shall indicate the actuary's relationship to the carrier and the actuary's
10 qualifications to provide the certification.

11 (A) For a carrier actuary, the opening paragraph shall read as follows:

12 "I, (name and title of actuary), am an (officer, employee) of (name of carrier) and am a
13 member of the American Academy of Actuaries. I am familiar with G.S. 58-50-130."

14 (B) For a consulting actuary, the opening paragraph shall read as follows:

15 "I, (name and title of consulting actuary), am associated with (name of actuarial consulting
16 firm) and am a member of the American Academy of Actuaries. I have been involved in the
17 preparation of the small employer group health insurance premium rates for the (name of
18 carrier) and am familiar with G.S. 58-50-130."

19 (2) A scope paragraph shall be included, which shall include the following language:

20 "I have examined the actuarial assumptions and methodology used by (name of carrier) in determining
21 small employer group health benefit plan premium rates and the procedures used by (name of carrier)
22 in implementing the small employer group health benefit plan rating provisions of G.S. 58-50-130.

23 (3) If the actuary has examined the underlying records, the scope paragraph shall include the following
24 language:

25 "I have examined the underlying records and summaries of data used by (name of carrier) in
26 determining small employer group health benefit plan premium rates and procedures used by (name of
27 carrier) in implementing the small employer group health benefit plan rating provisions of G.S. 58-50-
28 130."

29 (4) If the actuary has not examined the underlying records, but has relied upon listings and summaries of
30 data prepared by an officer of the company, the scope paragraph shall include the following language:

31 "I have not examined the underlying records used by (name of carrier) in determining small employer
32 group health benefit plan premium rates and procedures used by (name of carrier) in implementing the
33 small employer group health benefit plan rating provisions of G.S. 58-50-130. I have relied upon
34 listings and summaries of data prepared by (name and title of company officer) as certified in the
35 attached statement."

36 (5) The certification paragraph shall read as follows:

1 "I certify that for the period from January 1, (year) to December 31, (year) the rating method(s) of
2 (name of carrier) are actuarially sound and that:

3 (A) The rating factors used by (name of carrier) in its adjusted community rating (ACR)
4 methodology are being applied consistently, not being applied individually in the final
5 premium rate charged to an employee, and being applied uniformly to the premium rate
6 charged to all eligible employee enrollees in a small employer group.

7 (B) Periodic adjustment factors that give recognition to medical claim or medical inflation trends
8 are based on (name of carrier)'s entire small employer group health benefit plan business, the
9 same in a given month for a new and a renewing small employer group with the exception of
10 Part (J) of this Subparagraph, and the same for 12 consecutive months for a given small
11 employer group.

12 (C) All small employer groups within a given medical care system have the same medical care
13 system factor.

14 (D) The medical care system factors produce rates that are not excessive, not inadequate and are
15 not unfairly discriminatory in the medical care system areas and are revenue neutral to the
16 small employer group carrier for its small group business in North Carolina.

17 (E) The medical care system factors reflect only the relative differences in expected costs.

18 (F) Rate differences because of differences in health benefit plan design only reflect benefit
19 differences.

20 (G) Participation and contribution requirements do not vary by policy form.

21 (H) Stop loss, catastrophic, or reinsurance coverage provided to small employers complies with
22 the underwriting, rating, and other applicable standards in G.S. 58-50-100 through G.S. 58-
23 50-156.

24 (I) The percentage increase in the premium rate charged to a small employer for a new rating
25 period does not exceed the sum of the following: the percentage change in the ACR as
26 measured from the first day of the previous rating period to the first day of the new rating
27 period, any adjustment, not to exceed 15 percent annually, because of claim experience,
28 health status, or duration of coverage of the employees or dependents of the small employer,
29 and any adjustment because of change in coverage or change in case characteristics of the
30 small employer group.

31 (J) Any adjustment because of duration of coverage only reflects a difference between first year
32 and renewal coverage.

33 (K) (Name of carrier) uses an ACR methodology as prescribed in G.S.58-50-130(b)(1) and that
34 the premium rates charged during a rating period to small employer groups with similar case
35 characteristics for the same coverage do not deviate from the adjusted community rate by
36 more than 25 percent for any reason, including differences in administrative costs and claims
37 experience.

- 1 (L) Differences in administrative costs, defined as all non-medical care costs, within a policy
2 form are reflected within the 25 percent deviation from the ACR.
- 3 (M) (Name of carrier) only uses the following demographic factors, as prescribed by G.S. 58-50-
4 130(b)(2): age, gender, family size, medical care system, and industry.
- 5 (N) All small employer group health benefit plans are guaranteed issue as prescribed by G.S. 58-
6 68-40.
- 7 (O) The industry rate factor associated with any industry classification divided by the lowest
8 industry rate factor associated with any other industry classification shall not exceed 1.2.
- 9 (P) All small employer group health benefit plan premium rates are guaranteed for 12 months as
10 prescribed in G.S. 58-50-130(b)(3).
- 11 (Q) All small employer group health benefit plan premium rate increases include a common
12 premium rate increase shared by all small employer group business.
- 13 (R) The premium rates exhibit a reasonable relationship to the benefits provided by the policies
14 and are not excessive, are not inadequate, and are not unfairly discriminatory."

15 (b) The certifying actuary shall include a description and a sample numerical demonstration of how the small employer
16 group health benefit plan premium rates were tested for compliance.

17 (c) If the certifying actuary has not examined the underlying records or summaries, the person or persons who performed
18 the examination of the underlying records or summaries shall provide the following certification, which shall be signed,
19 dated, and attached to the actuarial certification:

20 "I, (name and title of certifying officer), am (title) of (name of insurer). I hereby affirm that the listings and
21 summaries of data for (name of carrier) prepared for and submitted to (name of certifying actuary) were
22 prepared under my direction and, to the best of my knowledge and belief, are accurate and complete."

23 (d) If the certifying actuary submits a qualified certification, the following information must be attached to the small
24 employer group actuarial certification:

25 (1) A description of the incident or incidents that resulted in the certifying actuary submitting a qualified
26 certification.

27 (2) A submission of a remedial plan to bring the incidents described in Paragraph (d)(1) of this Rule into
28 compliance with G.S. 58-50-130(b).

29
30 *History Note: Authority G.S. 58-2-40; 58-50-130;*
31 *Eff. ~~December 1, 2007.~~ December 1, 2007;*
32 *Readopted Eff. October 1, 2018.*
33