11 NCAC 12 .1013 LOSS RATIO

(a) This Rule shall apply to all long-term care insurance policies except those subject to 11 NCAC 12 .1014 and .1028. Further, 11 NCAC 12 .0555(b)(3) shall not apply to policies or certificates covered under 11 NCAC 12 .1014 and .1028.

(b) Benefits under long-term care insurance policies shall be deemed to be reasonable in relation to premiums, provided that the expected loss ratio is at least 60 percent for individual policies and 75 percent for group policies, and is calculated in a manner that provides for reserving of the long-term care insurance risk. In evaluating the expected loss ratio, consideration shall be given to all relevant factors, including:

(1) statistical credibility of incurred claims experience and earned premiums;
(2) the period for which rates are computed to provide coverage;
(3) experienced and projected trends;
(4) concentration of experience within early policy duration;
(5) expected claim fluctuation;
(6) experience refunds, adjustments, or dividends;
(7) renewability features;
(8) expense factors;
(9) interest;
(10) experimental nature of the coverage;
(11) policy reserves;
(12) mix of business by risk classification; and
(13) product features such as long elimination periods, high deductibles, and high maximum limits.

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

(1) The interest credited internally to determine cash value accumulations, including long-term care, if any, is guaranteed not to be less than the minimum guaranteed interest rate for cash value accumulations without long-term care set forth in the policy;
(2) The portion of the policy that provides life insurance benefits meets the nonforfeiture requirements of G.S. 58-58-55;
(3) The policy meets the disclosure requirements of G.S. 58-55-30;
(4) Any policy illustration meets the applicable requirements of 11 NCAC 04 .0500; and
(5) An actuarial memorandum is filed with the Commissioner that includes:
    (A) A description of the basis on which the long-term care rates were determined;
    (B) A description of the basis for the reserves;
    (C) A summary of the type of policy, benefits, renewability, general marketing method, and limits on ages of issuance;
    (D) A description and a table of each actuarial assumption used. For expenses, an insurer must include percent of premium dollars per policy and dollars per unit of benefits, if any;
    (E) A description and a table of the anticipated policy reserves and additional reserves to be held in each future year for active lives;
    (F) The estimated average annual premium per policy and the average issue age;
    (G) A statement as to whether underwriting is performed at the time of application. The statement shall indicate whether underwriting is used and, if used, the statement shall include a description of the type or types of underwriting used, such as medical underwriting or functional assessment underwriting. Concerning a group policy, the statement shall indicate whether the enrollee or any dependent will be underwritten and when underwriting occurs; and
    (H) A description of the effect of the long-term care policy provision on the required premiums, nonforfeiture values and reserves on the underlying life insurance policy, both for active lives and those in long-term care claim status.

History Note: *Authority G.S. 58-2-40(1); 58-55-30(a);*
Eff. September 1, 1990;
Amended Eff. August 1, 2002;

Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. May 1, 2018.