

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

### **11 NCAC 16 .0801 SMALL EMPLOYER GROUP HEALTH INSURANCE ACTUARIAL CERTIFICATION**

(a) Each small employer group carrier, as defined in G.S. 58-50-110(23), shall use the following language in its actuarial certification:

- (1) The opening paragraph shall state either of the following, as applicable:
  - (A) For a carrier actuary, the opening paragraph shall state:  
"I, (name and title of actuary), am an (officer, employee) of (name of carrier) and am a member of the American Academy of Actuaries. I am familiar with G.S. 58-50-130."
  - (B) For a consulting actuary, the opening paragraph shall state:  
"I, (name and title of consulting actuary), am associated with (name of actuarial consulting firm) and am a member of the American Academy of Actuaries. I have been involved in the preparation of the small employer group health insurance premium rates for the (name of carrier) and am familiar with G.S. 58-50-130."
- (2) A scope paragraph shall be included, which shall include the following language:  
"I have examined the actuarial assumptions and methodology used by (name of carrier) in used by (name of carrier) in implementing the small employer group health benefit plan rating provisions of G.S. 58-50-130."
- (3) If the actuary has examined the underlying records, the scope paragraph shall include the following language:  
"I have examined the underlying records and summaries of data used by (name of carrier) in determining small employer group health benefit plan premium rates and procedures used by (name of carrier) in implementing the small employer group health benefit plan rating provisions of G.S. 58-50-130."
- (4) If the actuary has not examined the underlying records, but has relied upon listings and summaries of data prepared by an officer of the company, the scope paragraph shall include the following language:  
"I have not examined the underlying records used by (name of carrier) in determining small employer group health benefit plan premium rates and procedures used by (name of carrier) in implementing the small employer group health benefit plan rating provisions of G.S. 58-50-130. I have relied upon listings and summaries of data prepared by (name and title of company officer) as certified in the attached statement."
- (5) The certification paragraph shall state:  
"I certify that for the period from January 1, (year) to December 31, (year) the rating method(s) of (name of carrier) are actuarially sound and that:
  - (A) The rating factors used by (name of carrier) in its adjusted community rating (ACR) methodology are being applied consistently, are not being applied individually in the final premium rate charged to an employee, and are being applied uniformly to the premium rate charged to all eligible employee enrollees in a small employer group.
  - (B) Periodic adjustment factors that give recognition to medical claim or medical inflation trends are based on (name of carrier)'s entire small employer group health benefit plan business, the same in a given month for a new and a renewing small employer group with the exception of Part (J) of this Subparagraph, and the same for 12 consecutive months for a given small employer group.
  - (C) All small employer groups within a given medical care system have the same medical care system factor.
  - (D) The medical care system factors produce rates that are not excessive, are not inadequate, are not unfairly discriminatory in the medical care system areas, and are revenue neutral to the small employer group carrier for its small group business in North Carolina.
  - (E) The medical care system factors reflect only the relative differences in expected costs.
  - (F) Rate differences because of differences in health benefit plan design only reflect benefit differences.
  - (G) Participation and contribution requirements do not vary by policy form.

- (H) Stop loss, catastrophic, or reinsurance coverage provided to small employers complies with the underwriting, rating, and other applicable standards in G.S. 58-50-100 through G.S. 58-50-156.
- (I) The percentage increase in the premium rate charged to a small employer for a new rating period does not exceed the sum of the following: the percentage change in the ACR as measured from the first day of the previous rating period to the first day of the new rating period; any adjustment, not to exceed 15 percent annually, because of claim experience, health status, or duration of coverage of the employees or dependents of the small employer; and any adjustment because of change in coverage or change in case characteristics of the small employer group.
- (J) Any adjustment because of duration of coverage only reflects a difference between first year and renewal coverage.
- (K) (Name of carrier) uses an ACR methodology as prescribed in G.S. 58-50-130(b)(1) and the premium rates charged during a rating period to small employer groups with similar case characteristics for the same coverage do not deviate from the adjusted community rate by more than 25 percent for any reason, including differences in administrative costs and claims experience.
- (L) Differences in administrative costs, defined as all non-medical care costs, within a policy form are reflected within the 25 percent deviation from the ACR.
- (M) (Name of carrier) only uses the following demographic factors, as prescribed by G.S. 58-50-130(b)(2): age, gender, family size, medical care system, and industry.
- (N) All small employer group health benefit plans are guaranteed issue as prescribed by G.S. 58-68-40.
- (O) The industry rate factor associated with any industry classification divided by the lowest industry rate factor associated with any other industry classification shall not exceed 1.2.
- (P) All small employer group health benefit plan premium rates are guaranteed for 12 months as prescribed in G.S. 58-50-130(b)(3).
- (Q) All small employer group health benefit plan premium rate increases include a common premium rate increase shared by all small employer group business.
- (R) The premium rates exhibit a reasonable relationship to the benefits provided by the policies and are not excessive, are not inadequate, and are not unfairly discriminatory."

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

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

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

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

- (1) a description of the incident or incidents that resulted in the certifying actuary submitting a qualified certification; and
- (2) a submission of a remedial plan to bring the incidents described in Paragraph (d)(1) of this Rule into compliance with G.S. 58-50-130(b).

*History Note: Authority G.S. 58-2-40; 58-50-130;  
Eff. December 1, 2007;  
Readopted Eff. October 1, 2018.*