

11 NCAC 11F .0203 CLAIM RESERVES

(a) General:

- (1) Claim reserves are required for all incurred but unpaid claims on all accident and health insurance contracts.
- (2) Appropriate claim expense reserves are required with respect to the estimated expense of settlement of all incurred but unpaid claims.
- (3) All such reserves for prior valuation years shall be tested for adequacy and reasonableness along the lines of claim runoff schedules in accordance with the statutory financial statement including consideration of any residual unpaid liability.

(b) Minimum Standards for Claim Reserves:

(1) Disability Income:

- (A) The maximum interest rate for claim reserves is specified in 11 NCAC 11F .0207.
- (B) Minimum standards with respect to morbidity are those specified in 11 NCAC 11F .0207; except that, at the option of the insurer:
 - (i) For claims with a duration from date of disablement of less than two years, reserves may be based on the insurer's experience, if such experience is considered credible, or upon other assumptions designed to place a sound value on the liabilities.
 - (ii) For group disability income claims with a duration from date of disablement of more than two years but less than five years, reserves may, with the approval of the Commissioner, be based on the insurer's experience for which the insurer maintains underwriting and claim administration control. The request for such approval of a plan of modification to the reserve basis must include:
 - (I) An analysis of the credibility of the experience;
 - (II) A description of how all the insurer's experience is proposed to be used in setting reserves;
 - (III) A description and quantification of the margins to be included;
 - (IV) A summary of the financial impact that the proposed plan of modification would have had on the insurer's last filed annual statement; and
 - (V) A copy of the approval of the proposed plan of modification by the Commissioner of the state of domicile.
- (C) For contracts with an elimination period, the duration of disablement shall be measured as dating from the time that benefits would have begun to accrue had there been no elimination period.

(2) All Other Benefits:

- (A) The maximum interest rate for claim reserves is specified in 11 NCAC 11F .0207.
- (B) The reserve, with respect to morbidity or other contingency, shall be based on the insurer's experience, if such experience is considered credible, or upon other assumptions designed to place a sound value on the liabilities.

(c) Any generally accepted or reasonable actuarial method or combination of methods may be used to estimate all claim liabilities. The methods used for estimating liabilities may be aggregate methods; or various reserve items may be separately valued. Approximations based on groupings and averages may also be employed. Adequacy of the claim reserves, however, shall be determined in the aggregate.

*History Note: Filed as a Temporary Adoption Eff. January 21, 1994 For a Period of 180 Days or Until the Permanent Rule Becomes Effective, Whichever is Sooner;
Statutory Authority G.S. 58-2-40; 58-58-50(k);
Eff. April 1, 1994;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. December 20, 2015.*