

11 NCAC 11F .0207 SPECIFIC STANDARDS FOR MORBIDITY, INTEREST AND MORTALITY

(a) Minimum standard morbidity tables for valuation of specified individual contract accident and health insurance benefits are as follows:

- (1) Disability Income Benefits Due to Accident or Sickness.
 - (A) Contract Reserves:
 - (i) Contracts issued on or after January 1, 1965 and before January 1, 1986: The 1964 Commissioners Disability Table (64 CDT).
 - (ii) Contracts issued on or after January 1, 1994: The 1985 Commissioners Individual Disability Tables A (85CIDA); or The 1985 Commissioners Individual Disability Tables B (85CIDB).
 - (iii) Contracts issued during the years 1986 through 1993: Optional use of either the 1964 or the 1985 Tables.
 - (iv) Each insurer shall elect, with respect to all individual contracts issued in any one statement year, whether it will use Tables A or Tables B as the minimum standard. The insurer may, however, elect to use the other tables with respect to any subsequent statement year.
 - (B) Claim Reserves:
 - (i) For claims incurred on or after August 1, 2004:
The 1985 Commissioners Individual Disability Tables A (85CIDA) with claim termination rates multiplied by the following adjustment factors:

Duration	Adjustment Factor	Adjusted Termination Rates*
Week 1	0.366	0.04831
Week 2	0.366	0.04172
Week 3	0.366	0.04063
Week 4	0.366	0.04355
Week 5	0.365	0.04088
Week 6	0.365	0.04271
Week 7	0.365	0.04380
Week 8	0.365	0.04344
Week 9	0.370	0.04292
Week 10	0.370	0.04107
Week 11	0.370	0.03848
Week 12	0.370	0.03478
Week 13	0.370	0.03034
Month 4	0.391	0.08758
Month 5	0.371	0.07346
Month 6	0.435	0.07531
Month 7	0.500	0.07245
Month 8	0.564	0.06655
Month 9	0.613	0.05520
Month 10	0.663	0.04705
Month 11	0.712	0.04486
Month 12	0.756	0.04309
Month 13	0.800	0.04080
Month 14	0.844	0.03882
Month 15	0.888	0.03730
Month 16	0.932	0.03448
Month 17	0.976	0.03026
Month 18	1.020	0.02856
Month 19	1.049	0.02518
Month 20	1.078	0.02264
Month 21	1.107	0.02104
Month 22	1.136	0.01932
Month 23	1.165	0.01865

Month 24	1.195	0.01792
Year 3	1.369	0.16839
Year 4	1.204	0.10114
Year 5	1.199	0.07434
Year 6 & later	1.000	**

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

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

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

- (ii) For claims incurred prior to August 1, 2004:
 - Each insurer may elect which of the following to use as the minimum standard for claims incurred prior to August 1, 2004:
 - (I) The minimum morbidity standard in effect for contract reserves on currently issued contracts, as of the date the claim is incurred, or
 - (II) The standard as defined in Subparagraph (a)(1)(B)(i) of this Rule, applied to all open claims.
 - (III) Once an insurer elects to calculate reserves for all open claims on the standard defined in Subparagraph (a)(1)(B)(i) of this Rule, all future valuations must be on that basis.
- (2) Hospital Benefits, Surgical Benefits and Maternity Benefits (Scheduled benefits or fixed time period benefits only).
 - (A) Contract Reserves:
 - (i) Contracts issued on or after January 1, 1955, and before January 1, 1982: The 1956 Intercompany Hospital-Surgical Tables.
 - (ii) Contracts issued on or after January 1, 1982: The 1974 Medical Expense Tables, Table A.
 - (B) Claim Reserves: See 11 NCAC 11F .0207(a)(5).
- (3) Cancer Expense Benefits (Scheduled benefits or fixed time period benefits only).
 - (A) Contract Reserves: Contracts issued on or after January 1, 1986: The 1985 NAIC Cancer Claim Cost Tables.
 - (B) Claim Reserves: See 11 NCAC 11F .0207(a)(5).
- (4) Accidental Death Benefits.
 - (A) Contract Reserves: Contracts issued on or after January 1, 1965: The 1959 Accident Death Benefits Table.
 - (B) Claim Reserves: Actual amount incurred.
- (5) Single Premium Credit Disability
 - (A) Contract Reserves:
 - (i) For contracts issued on or after August 1, 2004:
 - (I) For plans having less than a 30 day elimination period, the 1985 Commissioners Individual Disability Table A (85 CIDA) with claim incidence rates increased by 12 percent.
 - (II) For plans having a 30 day and greater elimination period, the 85 CIDA for a 14 day elimination period with the adjustment in Subparagraph (a)(5)(A)(i)(I) of this Rule.
 - (ii) For contracts issued prior to August 1, 2004, each insurer may elect either Subparagraph (a)(5)(A)(ii)(I) or Subparagraph (a)(5)(A)(ii)(II) of this Rule to use as the minimum standard. Once an insurer elects to calculate reserves for all contracts on the standard defined in Subparagraph (a)(5)(A)(i) of this Rule, all future valuations must be on that basis.

- (I) The minimum morbidity standard in effect for contract reserves on currently issued contracts, as of the date the contract was issued, or
 - (II) The standard as defined in Subparagraph (a)(5)(A)(i) of this Rule, applied to all contracts.
 - (B) Claim Reserves: Claim reserves are to be determined as provided in 11 NCAC 11F .0203.
 - (6) Other Individual Contract Benefits.
 - (A) Contract Reserves: For all other individual contract benefits, morbidity assumptions are to be determined which will produce contract reserves that place a sound value on the liabilities of each such benefit.
 - (B) Claim Reserves: For all benefits other than disability, claim reserves are to be determined as provided in the standards as set out in this rule.
- (b) Minimum standard morbidity tables for valuation of specified group contract accident and health insurance benefits are as follows:
- (1) Disability Income Benefits Due to Accident or Sickness.
 - (A) Contract Reserves:
 - (i) Contracts issued before January 1, 1994: The same basis, if any, as that employed by the insurer as of December 31, 1993.
 - (ii) Contracts issued on or after January 1, 1994: The 1987 Commissioners Group Disability Income Table (87CGDT).
 - (B) Claim Reserves:
 - (i) For claims incurred on or after January 1, 1994: The 1987 Commissioners Group Disability Income Table (87CGDT);
 - (ii) For claims incurred before January 1, 1994: See 11 NCAC 11F .0207(b)(2).
 - (2) Single Premium Credit Disability
 - (A) Contract Reserves:
 - (i) For contracts issued on or after August 1, 2004:
 - (I) For plans having less than a 30 day elimination period, the 1985 Commissioners Individual Disability Table A (85 CIDA) with claim incidence rates increased by 12 percent.
 - (II) For plans having a thirty-day and greater elimination period, the 85 CIDA for a 14 day elimination period with the adjustment in Subparagraph (b)(2)(A)(i)(I) of this Rule.
 - (ii) For contracts issued prior to August 1, 2004, each insurer may elect either Subparagraph (b)(2)(A)(ii)(I) or Subparagraph (b)(2)(A)(ii)(II) of this Rule to use as the minimum standard. Once an insurer elects to calculate reserves for all contracts on the standard defined in Subparagraph (b)(2)(A)(i) of this Rule, all future valuations must be on that basis.
 - (I) The minimum morbidity standard in effect for contract reserves on currently issued contracts, as of the date the contract was issued, or
 - (II) The standard as defined in Subparagraph (b)(2)(A)(i) of this Rule, applied to all contracts.
 - (B) Claim Reserves: Claim reserves are to be determined as provided in 11 NCAC 11F .0203.
 - (3) Other Group Contract Benefits.
 - (A) Contract Reserves: For all other group contract benefits, morbidity assumptions are to be determined which will produce contract reserves that place a sound actuarial value on the liabilities of each such benefit.
 - (B) Claim Reserves: For all benefits other than disability, claim reserves are to be determined as provided in the standards as set out in this Rule.
- (c) Maximum interest rate standards for valuation of accident and health insurance benefits are as follows:
- (1) For contract reserves the maximum interest rate is the maximum rate permitted by law in the valuation of whole life insurance issued on the same date as the accident and health insurance contract.

- (2) For claim reserves on contracts that require contract reserves, the maximum interest rate is the maximum rate permitted by law in the valuation of whole life insurance issued on the same date as the claim incurral date.
 - (3) For claim reserves on contracts not requiring contract reserves, the maximum interest rate is the maximum rate permitted by law in the valuation of single premium immediate annuities issued on the same date as the claim incurral date, reduced by one hundred basis points.
- (d) Minimum standard mortality tables for valuation of accident and health insurance benefits are as follows:
- (1) Except as provided for in 11 NCAC 11F .0207(d)(2) or (3), the mortality basis used for all policies except long-term care individual policies and group certificates issued after August 1, 2004, shall be according to a table (but without use of selection factors) permitted by law for the valuation of whole life insurance issued on the same date as the accident and health insurance contract. For long-term care insurance individual policies or group certificates issued on or after August 1, 2004, the mortality basis used shall be the 1983 Group Annuity Mortality Table without projection.
 - (2) Other mortality tables adopted by the NAIC and promulgated by the Commissioner in accordance with G.S. 150B may be used in the calculation of the minimum reserves if appropriate for the type of benefits and if requested by a qualified actuary. The request must include the proposed mortality table and the reason that the standard specified in 11 NCAC 11F .0207(d)(1) is inappropriate.
 - (3) For single premium credit insurance using the 85 CIDA table, no separate mortality shall be assumed.
- (e) The tables referenced in 11 NCAC 11F .0207 may be found as follows:
- (1) The 1964 Commissioners Disability Table, 1965 Proceedings of the National Association of Insurance Commissioners, Vol. I, pgs. 78-80;
 - (2) The 1985 Commissioners Individual Disability Tables A, 1986 Proceedings of the National Association of Insurance Commissioners, Vol. I, pgs. 574-589;
 - (3) The 1985 Commissioners Individual Disability Tables B, 1985 Proceedings of the National Association of Insurance Commissioners, Vol. I, pgs. 486-540;
 - (4) The 1956 Intercompany Hospital-Surgical Tables, 1957 Proceedings of the National Association of Insurance Commissioners, Vol. I, pgs. 83-85;
 - (5) The 1974 Medical Expense Tables, Table A, Transactions of the Society of Actuaries, Vol. XXX, pg. 63. Refer to the paper (in the same volume, page 9), to which this table is appended, including its discussions for methods of adjustment for benefits not directly valued in Table A: "Development of the 1974 Medical Expense Benefits", Houghton and Wolf;
 - (6) The 1985 NAIC Cancer Claim Cost Tables, 1986 Proceedings of the National Association of Insurance Commissioners, Vol. I, pgs. 609-623;
 - (7) The 1959 Accident Death Benefit Tables, Transactions of the Society of Actuaries, Vol. XI, pg. 754; and
 - (8) The 1987 Commissioners Group Disability Income Table, 1987 Proceedings of the National Association of Insurance Commissioners, Vol. II, pgs. 557-619.
 - (9) The 1983 Group Annuity Mortality Table, Transactions of the Society of Actuaries, Vol. XXXV, pgs. 880-881.

Copies of the above-referenced tables can be obtained at a cost prescribed in G.S. 58-6-5(3) from the Actuarial Service Division of the North Carolina Department of Insurance, P.O. Box 26387, Raleigh, N.C. 27611. The above-referenced tables are hereby incorporated by reference and do not incorporate any amendments or editions.

*History Note: Authority G.S. 58-2-40; 58-58-50(k);
 Temporary Adoption Eff. January 21, 1994 for a period of 180 days or until the Permanent Rule becomes effective, whichever is sooner;
 Eff. April 1, 1994;
 Amended Eff. August 1, 2004;
 Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. December 20, 2015.*