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## Reserve Requirements for Medical Service Corporations

### Sec. 38a-214-1. Authority

The following regulations are adopted pursuant to Section 38a-214 of the General Statutes of Connecticut as amended by Section 2 of Public Act 74-5 and, as applicable, Public Act 74-7.

(Effective September 25, 1992)

### Sec. 38a-214-2. Definitions

As used in Reg. Sec. 38a-214-1 to Reg. Sec. 38a-214-7:

“Ascertained Experienced” means the loss and expense ratio for the most recent twelve-month period of operation, or such other period as the commissioner may deem appropriate.

“Commissioner” means the insurance commissioner.

“Contingency Reserves” and “Reserve for Contingencies” means the unassigned funds held over and above the Policy Contract Liability Reserves as defined in these regulations and all other liabilities.

“Policy Contract Liability Reserves” means the reserves held for present claims or claims in process plus the reserves held for future or deferred benefits and for unearned premiums.

All technical words and phrases and such as have acquired a peculiar and appropriate meaning in the law and in the field of insurance shall be construed and understood accordingly.

(Effective September 25, 1992)

### Sec. 38a-214-3. Policy contract liability reserves

Each medical service corporation shall maintain Policy Contract Liability Reserves at a level consistent with the following requirements:

**Minimum.** An amount sufficient to pay and adjust all present claims and claims in process when and as such claims become due, plus an amount sufficient to pay and adjust all future claims or deferred benefits as and when such benefits become due and to cover unearned premiums. The standards of payment and adjustment of claims when and as such become due shall be in accordance with the standards required of insurance companies under the provisions of Section 38a-17 of the General Statutes of Connecticut, as it may from time to time be amended.

**Maximum.** An amount not to exceed the minimum as hereinbefore defined plus amounts computed and as approved by the commissioner to compensate for inflationary trends, projected increased costs for the future or deferred benefits, interest charges which may become due on settlement of disputed claims, and changing claim frequency in respect to future or deferred benefits.

(Effective September 25, 1992)

### Sec. 38a-214-4. Contingency reserves

Each medical service corporation shall maintain Contingency Reserves at a minimum level computed on the following basis:

The amount required by insurance companies licensed to transact accident and health insurance, under Section 38-93 of the General Statutes as it may from time to time be amended, plus the greater of (1) an amount equal to the average monthly cost of claims and expense for the preceding twelve months or (2) an amount which bears a reasonable relation to the liabilities of such corporation.

If a corporation's reserve falls below an amount equal to Section 38a-72 plus the net loss in the previous two years, the corporation shall act to restore the reserve to at least that amount.

**Permissible additions to minimum.** Subject to the approval of the commissioner, in addition to such minimum Contingency Reserves, further Contingency Reserves may be accumulated by the subject corporation based upon the following factors:

(1) Stability, solvency, and interest of the corporation and the interests of the policyholders and other affected persons, including such specific objectives as rate stability, inflationary trends, deviations from the forecast of changing claim frequency, market fluctuations, and the possibility of epidemics and catastrophes;

(2) Present or projected public service pilot projects which are undertaken for the purpose of providing more and better care in the manner most economical to the subscribers;

(3) Costs of consolidations, acquisitions, or mergers as provided by law;

(4) Capital expenditures reasonably related to the general purposes of the corporation;

(5) Proposed increases in benefits without fully compensating rate increases;

(6) Projected profit or loss forecasts together with any other factors reasonably tending to justify the maintenance, increase, or decrease of any such Contingency Reserve.

**Maximum.** No medical service corporation nor any merged corporation subject to these regulations shall maintain Contingency Reserves in amounts greater than the minimum as hereinabove defined, plus the permissible additions to the minimum prescribed above and provided the approval of the commissioner had been obtained prior to the reserving of the permissible additions.

**Maximum limit.** The maximum Contingency Reserves which may be maintained by any medical service corporation subject to these regulations shall in no event be greater than an amount equal to 50 percent of the preceding twelve months cost of claims and expense of such corporation.

(Effective September 25, 1992)

### **Sec. 38a-214-5. Changes in contingency reserve levels**

The commissioner may, after a hearing called at the request of any interested person admitted as a party for the purpose of any such hearing or on his own motion, order the maintenance, increase, or decrease of any such Contingency Reserve, whether in connection with a rate change or otherwise, consistent with these regulations and other requirements, and may require such medical service or merged corporation to adjust its rates or benefits or both to accomplish any adjustment in such reserve.

(Effective September 25, 1992)

### **Sec. 38a-214-6. Standards**

In permitting and approving adjustments in accordance with these regulations, the commissioner may consider the Ascertained Experience of the medical service corporation and may use as a basis such reasonable periods of time as he may deem appropriate. The commissioner in determining the computations shall consider the interest of the subscribers and the solvency of the medical service corporation.

(Effective September 25, 1992)

### **Sec. 38a-214-7. Effective date**

These regulations shall take effect on filing with the secretary of the state as provided in Section 4-172 of the General Statutes.

(Effective September 25, 1992)