

Title 210 - NEBRASKA DEPARTMENT OF INSURANCE
Chapter 85 - GROUP HEALTH, DENTAL, ACCIDENT, AND LIFE INSURANCE
UNDER THE INTERGOVERNMENTAL RISK MANAGEMENT ACT

001. Authority. This rule is promulgated pursuant to the authority granted in the Intergovernmental Risk Management Act, NEB.REV.STAT. §44-4308 and §44-4314.

002. Purpose. The purpose of this rule is to set forth procedural requirements which the Director deems necessary to carry out the provisions of the Intergovernmental Risk Management Act pertaining to group health, dental, accident, and life insurance, including but not limited to matters such as the application for a certificate of authority, reserves, dividends, claims processing, modifications to the program and periodic reports.

003. Definitions.

003.01 The definitions in the Intergovernmental Risk Management Act as set forth in NEB.REV.STAT. § 44-4303 shall apply in the construction of this rule as if fully set forth herein. Those definitions and the following definitions shall govern the construction of the terms used in this rule.

003.02 Act means Intergovernmental Risk Management Act.

003.03 Administrator means an individual, partnership, corporation, or unincorporated association engaged by a risk management pool for the purposes of carrying out the policies established by the pool's governing board and to provide day-to-day management of the pool.

003.04 Department means Department of Insurance.

003.05 Director means Director of Insurance.

003.06 Dividend means a share of earned surplus allocated to each member participating in the pool.

003.07 Hazardous to the public shall mean that, based on its present or reasonably anticipated financial condition, a group self-insurance pool, although it may not yet be financially impaired or insolvent, is unlikely to be able to (a) meet obligations to policyholders with respect to known claims and reasonably anticipated claims or (b) pay other obligations in the normal course of business.

003.08 Pool shall mean self-insurance pool created under article 43 of Chapter 44 of the Nebraska Revised Statutes in which each member makes financial contribution for the payment of all losses incurred by any member which are protected against by the pool.

003.09 Qualified Actuary shall mean a person:

003.09A Who is a fellow or associate of the Society of Actuaries, a member of the American Academy of Actuaries, independent of the pool and its members, and independent of any insurance company electing to discount its reserves, and independent of any reinsurance company contracted with the pool; or

003.09B Who meets all of the following requirements:

003.09B(1) Has demonstrated to the Director that he or she is possessed of the educational background and experience necessary or the practice of actuarial science including, but not limited to, the evaluation of claim reserves;

003.09B(2) Is independent of the pool and its members, independent of any insurance company electing to discount its reserves, and independent of any reinsurance company contracted with the pool; and

003.09B(3) Has the prior written approval of the Director to sign claim reserve opinions required by this rule.

003.10 Service provider means a person or entity which provides services not provided by the Administrator, including but not limited to (a) claims adjustment, (b) loss control safety management, (c) compilation of statistics and the preparation of premium and loss reports, (d) preparation of other required self-insurance reports, (e) development of members' assessments and fees, and (f) administration of a claim fund.

003.11 Surplus shall mean the amount obtained by subtracting, from the admitted assets, actual liabilities, including any reserves which by law must be maintained.

004. Application for certificate of authority. A risk management pool organized pursuant to the Intergovernmental Risk Management Act may apply to the Director for a certificate of authority to provide group self-insurance to its members. A pool shall not accept contributions for group self-insurance coverage and shall not provide such insurance coverage to its members until the Director has issued the certificate of authority. The application shall be accompanied by an application filing fee of one thousand dollars, and shall include the pool's name, location of its principle office, date of organization, and the name and address of each member. The following information shall

be submitted with the application, and shall specify the types of coverage involved, where applicable:

004.01 A copy of the agreement entered into for the purpose of establishing and operating a risk management pool as required by NEB.REV.STAT. § 44-4306;

004.02 A copy of the pool's articles of incorporation, articles of association and by-laws;

004.03 Disclosure of the lines of insurance coverage to be provided as specified under NEB.REV.STAT. § 44-4304;

004.04 Pro forma financial statements and projections for at least the first five (5) years of operation;

004.05 Historical and expected loss experience of the proposed members to the extent reasonably available;

004.06 Appropriate actuarial opinions by a qualified, independent actuary, including a determination of minimum premium or participation levels required to commence operations and to prevent the pool from being hazardous to the public;

004.07 A copy of the agreement entered into with any administrator or service provider and biographical information on such individuals or if an entity, the individuals providing the services for such entity;

004.08 Address in Nebraska where books and records of the pool will be maintained at all times;

004.09 Disclosure of proposed standard insurance, excess insurance and excess stop-loss reinsurance arrangements and a copy of such agreements as they become available;

004.10 Disclosure of member contribution levels and the criteria used to determine the contribution levels;

004.11 A copy of any insuring agreements, forms and certificates of insurance coverage to be issued by the pool to each member of the pool;

004.12 Disclosure of the extent to which initial pool funding will be raised through the issuance of bonds; and

004.13 Such other information as the Director may reasonably require.

005. Reserves. A risk management pool shall maintain the same reserves as required of a Nebraska domestic insurance company offering the same coverage as the group insurance offered by a pool to its members, except that a pool may discount claim reserves if the pool's annual report required under Section 011 is accompanied by a certified statement of opinion by a qualified actuary which accurately reflects the effect of discounting of claim reserves on the pool's financial condition. In the event a pool discounts its claim reserves, the certified actuarial opinion defined in this section shall include the following:

005.01 An assessment of the adequacy of the undiscounted reserves;

005.02 An assessment of the appropriateness of the assumed interest rate, considering at least the following:

005.02A Valuation basis of bonds;

005.02B Yield on assets; and

005.02C The match of asset maturities to corresponding liabilities.

005.03 An assessment of the appropriateness of the liabilities to surplus ratio of the company;

005.04 An assessment of the appropriateness of the anticipated payment schedule, considering at least the following:

005.04A The pools own paid claim development history to the extent relevant and credible;

005.04B To the extent that such history is not relevant or credible, the experience of other insurers after allowance for any differences in form of coverage, nature of risks insured, limits written or retention levels after excess stop-loss reinsurance; and

005.04C Timing of excess stop-loss reinsurance recoverables and, if applicable, any additional excess stop-loss reinsurance premiums that may become due.

005.05 A description of the formula(s) used for discounting, including any provision for adverse deviation;

005.06 An assessment of the appropriateness of the claim reserve to surplus ratio of the pool; and

005.07 Any other factors necessary to accurately reflect the effect of discounting on the financial condition of the pool or as required by the Director.

006. Dividends. A pool may not distribute dividends to its members until it has received approval by the Director. A pool may not declare or pay any dividends except from earned surplus, ascertained in accordance with statutory insurance accounting principles. In order to pay dividends to its members, the pool shall make application to the Director for approval, which application shall specify the date established for payment of the dividend, a statement as to whether the dividend is to be in cash or property and if in property, how valuation was determined, the dates and amounts of all previous dividends, financial statements as of the month preceding the application, a brief statement as to the effect of the proposed dividend upon the pool's reserves and the reasonableness of surplus in relation to the pool's outstanding liabilities, and the adequacy of the surplus relative to the pool's financial needs.

007. Surplus. A pool shall maintain adequate surplus and reserves and receive adequate financial contributions from its members in order to operate in a manner which is not hazardous to the public.

008. Investments. The surplus and other funds, or part thereof, of a pool shall be invested as authorized for investments by Nebraska domestic insurance companies offering the same coverage as the group insurance offered by a pool to its members.

009. Notice to Department.

009.01 A pool shall notify the Department 30 days in advance of any assessments to cure a deficiency and of any changes in:

009.01A Contribution levels;

009.01B Coverages offered by the pool;

009.01C Administrator or service provider and any material change in such agreements with the administrator or service provider;

009.01D The pool's articles of incorporation, articles of association or by-laws;

009.01E Any amendments to the agreement establishing in the pool;

009.01F Standard insurance, excess stop loss insurance, and excess stop-loss reinsurance agreements; or

009.01G The extent to which pool funding will be raised through the issuance of bonds.

009.02 The notification shall be accompanied by a statement setting forth the effect of such change on the pool and its ability to operate in a manner which is not hazardous to the public. A copy of any amended documents shall be provided and accompanied by appropriate supporting opinions and information to the extent necessary and reasonably available, or requested by the Department.

009.03 Such notified changes shall become effective 30 days after submitted to the Department unless disapproved by the director. The Director shall disapprove any such notified change if as a result of such change the pool will not:

009.03A Have adequate surplus and reserves and receive adequate financial contributions from its members in order to operate in a manner which is not hazardous to the public; or

009.03B Satisfy the requirements of Nebraska law, this rule, the agreement establishing the pool, or the pool's by-laws.

010. Claims. A pool shall process and act upon claims in accordance with the guidelines applicable for domestic insurance companies.

011. Annual report of affairs and examinations.

011.01 Every pool shall make and file with the Department, on or before March 1 of each year, a report under oath of its affairs and operations during the last preceding calendar year, upon a form furnished by the Department. Upon application to and approval by the Director, an individual pool may make and file the report on or before a date other than March 1 for a different twelve-month period in order to correspond with the applicable fiscal year established by the pool. The report shall show all contributions received by it for membership in the pool during the previous calendar year. Such annual statements shall use insurance statutory accounting principles, and shall include an actuarial opinion on claim reserves, reserves on claims incurred but not reported, and loss adjusted expense reserves.

011.02 A pool discounting claim reserves shall disclose the discounting of claim reserves in its annual and other financial statements in a manner which will accurately reflect the effect of discounting of claim reserves on the pool's financial condition.

011.03 In addition to the annual report of affairs, every pool shall make and file such periodic reports on forms furnished by the Department as the Director may require.

011.04 The reasonable expenses for examination of the business affairs, records, and assets of each pool conducted by the Department pursuant to NEB.REV.STAT. § 44-4310(2) shall be fixed and determined by the Director. Each pool shall be responsible for the payment of the determined expenses to the Director within a reasonable time after the receipt of the statement for such expenses. The expenses shall be limited to a reasonable allocation for the salary of each examiner plus actual expenses.

012. Payment to Director; computation.

012.01 On or before March 1 of each year, every risk management pool shall pay to the Director of Insurance the amount required pursuant to NEB.REV.STAT. § 44-4320.

012.01A A pool which has a scheme of operations that contemplates a return of a portion of the contributions of pool members without such members being claimants under the pool's insuring agreements may deduct such return contributions from the pool's contributions for the purpose of calculating the payment due to the Director of Insurance.

012.01B A pool which has a scheme of operations that includes the purchase of standard insurance subject to premium tax under NEB. REV. STAT. § 77-908 or § 44-5506 may deduct the cost of such insurance from the pool's contributions for the purpose of calculating the payment due to the Director of Insurance.

012.02 The computation of payments shall be made on forms furnished by the Department of Insurance and shall be filed with the Department, together with a sworn statement by the pool's chief operating officer attesting to the accuracy of the computation. The Department shall furnish such forms to each pool prior to the end of the year for which such amount is payable together with any information relative to computation of the amount as may be necessary.

013. Termination of membership in the pool.

013.01 In order for a member to voluntarily terminate participation in the pool, such member shall give written notice of the desired termination date to the Department, the other pool members and the pool's administrator at least 90 days prior to the desired termination date. Within 30 days after receiving such notice, the pool's governing board shall submit a written report to the Department which:

013.01A discloses whether the terminating member and remaining members of the pool have paid all contributions and assessments due the pool, have discharged all other obligations owed to the pool, and have complied with the laws of Nebraska, this rule, and the by-laws of the pool; and

013.01B projects the effect on the pool due to the member's withdrawal from the pool.

013.02 A member of the pool may be involuntarily terminated from the pool as provided for in NEB.REV.STAT. § 44-4309(2).

014. Voluntary dissolution of the pool.

014.01 A pool shall not be voluntarily dissolved or cease to function unless the governing board obtains the approval of the Director and thereafter obtains the approval of the pool's members in accordance with the agreement establishing the pool and the pool's by-laws, which shall require a two-thirds majority vote. The governing board may submit a written application seeking the Director's approval to voluntarily dissolve, at least 90 days in advance of the proposed dissolution date, setting forth the following:

014.01A Desired date of pool's dissolution;

014.01B Resolution of the governing board to terminate the pool and seeking the Director's approval of such termination; and

014.01C A plan of dissolution adopted by the governing board which sets forth the pool's arrangements for satisfying its obligations, such as but not limited to the insurance or excess stop-loss reinsurance of its obligations with insurers under appropriate agreements filed with and approved by the Director, or such alternative arrangements which provide for the payment of all claims, liabilities and debts such as a contingency or trust fund for future claims and obligations. Such obligations shall include both known claims and expenses associated therewith and claims incurred but not reported and expenses associated therewith. Additionally, the plan shall provide for the distribution of any assets remaining after payment of claims, liabilities and debts and the return of any unearned premium contributions. The return of surplus contributions must be based on an equitable formula.

014.02 The Director shall, within 30 days from the date the application for voluntary dissolution was submitted to the Department, issue a written determination regarding the application to voluntarily dissolve, and if approved, the pool shall proceed by placing the matter before the pool members for a vote within 30 days after the approval of the Director.

014.03 The governing board of the pool shall certify the results of the vote to the Department and proceed accordingly.

015. Hearings. Administrative hearings initiated before the Department as a result of actions taken under the provision of the Act or this rule shall be subject to the provisions of the Administrative Procedure Act, NEB.REV.STAT. § 84-901 et seq. and Title 210, Nebraska Administrative Code, Chapter 26.

016. Severability clause. If any provisions of this rule, or the application thereof to any persons or circumstances, is held invalid, such invalidity shall not affect other provisions or application of this rule which can be given effect without the invalid portion or application, and to that end, the provisions of this rule are severable.