

STATE OF CONNECTICUT
REGULATION
OF

6000

IMPORTANT: Read Instructions on bottom of Certification Page before completing this Form. Failure to comply with instructions may cause disapproval of proposed Regulations.

NAME OF AGENCY
INSURANCE DEPARTMENT

Concerning

SUBJECT MATTER OF REGULATION

RISK-BASED CAPITAL REQUIREMENTS FOR HEALTH CARE CENTERS

SECTION 1

Section 38a-193-3 of the Regulations of Connecticut State Agencies is amended to read as follows:

Sec. 38a-193-3. Company action level event.

(a) As used in sections 38a-193-1 to 38a-198-13, inclusive, of the Regulations of Connecticut State Agencies, "Company Action Level Event" means any of the following events:

(1) The filing of an RBC report by a health care center that indicates that the health care center's total adjusted capital is greater than or equal to its Regulatory Action Level RBC but less than its Company Action Level RBC;

(2) If a health care center has total adjusted capital which is greater than or equal to its Company Action Level RBC but less than the product of its Authorized Control Level RBC and 3.0 and triggers the trend test determined in accordance with the trend test calculation included in the Health RBC instructions;

~~[(2)]~~(3) notification by the commissioner to the health care center of an adjusted RBC report that indicates an event in subdivision (1) of this subsection, provided the health care center does not challenge the adjusted RBC report under section 38a-193-7 of the Regulations of Connecticut State Agencies; or

~~[(3)]~~(4) if, pursuant to section 38a-193-7 of the Regulations of Connecticut State Agencies, a health care center challenges an adjusted RBC report that indicates the event in subdivision (1) of this subsection, the notification by the commissioner to the health care center that the commissioner has, after a hearing, rejected the health care center's challenge.

(b) In the event of a Company Action Level Event, the health care center shall prepare and submit to the commissioner a RBC plan that shall:

(1) Identify the conditions that contribute to the Company Action Level Event;

(2) contain proposals of corrective actions that the health care center intends to take and that would be expected to result in the elimination of the Company Action Level Event;

(3) provide projections of the health care center's financial results in the current year and at least the two (2) succeeding years, both in the absence of proposed corrective actions and giving effect to the proposed corrective actions, including projections of statutory balance sheets, operating income, net income, capital and surplus, and RBC levels. The projections for both new and renewal business might include separate projections for each major line of business and separately identify each significant income, expense and benefit component;

(4) identify the key assumptions impacting the health care center's projections and the sensitivity of the projections to the assumptions; and

(5) identify the quality of, and problems associated with, the health care center's business, including but not limited to its assets, anticipated business growth and associated surplus strain, extraordinary exposure to risk, mix of business and use of reinsurance, if any, in each case.

(c) The RBC plan shall be submitted not later than forty-five (45) days after the Company Action Level Event; or if the health care center challenges an adjusted RBC report pursuant to section 38a-193-7 of the Regulations of Connecticut State Agencies, not later than forty-five (45) days after notification to the health care center that the commissioner has, after a hearing, rejected the health care center's challenge.

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(d) Not later than sixty (60) days after the submission by a health care center of an RBC plan to the commissioner, the commissioner shall notify the health care center whether the RBC plan shall be implemented or is, in the judgment of the commissioner, unsatisfactory. If the commissioner determines the RBC plan is unsatisfactory, the notification to the health care center shall set forth the reasons for the determination, and may set forth proposed revisions which will render the RBC plan satisfactory, in the judgment of the commissioner. Upon notification from the commissioner, the health care center shall prepare a revised RBC plan, which may incorporate by reference any revisions proposed by the commissioner, and shall submit the revised RBC plan to the commissioner not later than forty-five (45) days after the notification from the commissioner; or if the health care center challenges the notification from the commissioner under section 38a-193-7 of the Regulations of Connecticut State Agencies, not later than forty-five (45) days after a notification to the health care center that the commissioner has, after a hearing, rejected the health care center's challenge.

(e) In the event of a notification by the commissioner to a health care center that the health care center's RBC plan or revised RBC plan is unsatisfactory, the commissioner may, subject to the health care center's right to a hearing under section 38a-193-7 of the Regulations of Connecticut State Agencies, specify in the notification that the notification constitutes a Regulatory Action Level Event.

Statement of purpose:

To amend the regulations dealing with Risk Based Capital for Health Care Centers to conform to revisions made to the NAIC Model.

A. The problems, issues or circumstances that the regulation proposes to address.

This proposed regulation amends the RBC for HCC regulations to reflect the amendments made to the NAIC Model.

B. A summary of the main provisions of the regulation.

The amendment provides for a trend test trigger for Company Action Level Events.

C. The legal effects of the regulation, including all ways that the regulation would change existing regulations or other laws.

No other laws or regulations will be affected.

D. Impact on small businesses

As required by Conn. Gen. Stat. § 4-168a as amended by Public Act 09-19, the Insurance Department considered the impact of the proposed amended regulations on small business, and in doing so, determined that the preparation of a regulatory flexibility analysis, as contemplated by this statute, was not needed. The amendments reflect activities to be undertaken by the insurance department and health care centers which are not considered to be small businesses under the statutory definition.

CERTIFICATION

R-39 REV. 1/77

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Be it known that the foregoing:

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X Regulations Emergency Regulations

Are:

Adopted Amended as hereinabove stated Repealed

By the aforesaid agency pursuant to:

Section 38a-193 of the General Statutes.

Section _____ of the General Statutes, as amended by Public Act No. of the _____ Public Acts.

Public Act No. _____ of the Public Acts.

After publication in the Connecticut Law Journal on, _____ and _____ of the notice of the proposal to:

Adopt Amend Repeal such regulations

(If applicable): And the holding of an advertised public hearing on _____ day of _____ 20 _____

WHEREFORE, the foregoing regulations are hereby:

Adopted Amended as hereinabove stated Repealed

Effective:

X When filed with the Secretary of the State.

(OR)

The _____ day of _____.

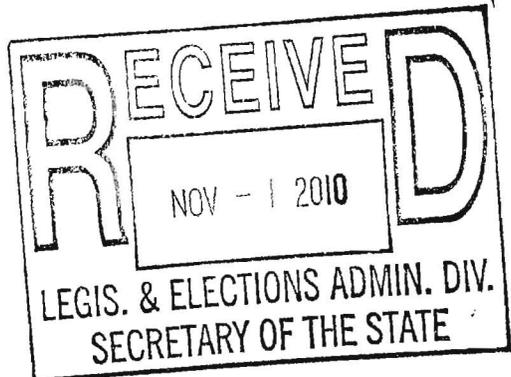
In Witness Whereof:	DATE <u>8/2/10</u>	SIGNED (Head of Board, Agency or Commission) <i>[Signature]</i>	OFFICIAL TITLE, DULY AUTHORIZED INSURANCE COMMISSIONER
Approved by the Attorney General as to legal sufficiency In accordance with Sec. 4-169, as amended, C. G. S. :	SIGNED <i>[Signature]</i>	DATE <u>8/11/10</u>	OFFICIAL TITLE, DULY AUTHORIZED ASSOC. ATTY. GENERAL

- Approved
- Disapproved
- Disapproved in part, (Indicate Section Numbers disapproved only)
- Rejected without prejudice.

By the Legislative Regulation Review Committee in accordance With Sec. 4-170, as amended, of the General Statutes.	DATE <u>10/26/2010</u>	SIGNED (Clerk of the Legislative Regulation Review Committee) <i>[Signature]</i>
Two certified copies received and filed, and one such copy forwarded to the Commission on Official Legal Publications In accordance with Section 4-172, as amended, of the General Statutes.		
DATE <u>11-1-2010</u>	SIGNED (Secretary of the State) <i>[Signature]</i>	BY <i>[Signature]</i>

INSTRUCTION

- One copy of all regulations for adoption, amendment or repeal, except emergency regulations, must be presented to the Attorney General for his determination of legal sufficiency. Section 4-169 of the General Statutes.
- Seventeen copies of all regulations for adoption, amendment or repeal, except emergency regulations, must be presented to the standing Legislative Regulation Review Committee for its approval. Section 4-170 of the General Statutes.
- Each regulation must be in the form intended for publication and must include the appropriate regulation section number and section heading. Section 4-172 of the General Statutes.
- Indicate by "(NEW)" in heading if new regulation. Amended regulations must contain new language in capitol letters and deleted language in brackets. Section 4-170 of the General Statutes.



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Regulations of the Department of Insurance
CONCERNING Risk-Based Capital Requirements for Health Care Centers
Approved by the Attorney General August 11, 2010
Approved by the Legislative Regulation Review Committee on October 26, 2010
Received and filed in the Office of the Secretary of the State November 1, 2010 Effective Date: November 1, 2010
Published in the Connecticut Law Journal