

**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)