

**State of Rhode Island and Providence Plantations**  
**DEPARTMENT OF BUSINESS REGULATION**  
*Division of Insurance*  
**1511 Pontiac Avenue**  
**Cranston, RI 02920**

**INSURANCE REGULATION 72**

**PRESENT VALUE OF PERMANENT  
TOTAL DISABILITY WORKERS' COMPENSATION RESERVES**

**Table of Contents**

Section 1	Authority
Section 2	Purpose
Section 3	Definitions
Section 4	Present Value of Loss Reserves

**Section 1**     *Authority*

This Regulation is promulgated pursuant to the authority granted by R.I. Gen. Laws §§ 27-1-1 *et seq.*, 27-2-1 *et seq.*, 27-7.1-1 *et seq.* and 42-14-1 *et seq.*

**Section 2**     *Purpose*

The purpose of this Regulation is to establish procedures for insurance carriers domiciled in Rhode Island to present value certain reserves relating to permanent total disability and survivor death benefits for statutory financial reporting.

**Section 3**     *Definitions*

For purposes of this Regulation:

- A. "Department" means the Department of Business Regulation.
- B. "Director" means the Director of the Department of Business Regulation.
- C. "Division" means the Division of Insurance of the Department of Business Regulation.
- D. "Insurer" means any insurance company domiciled in Rhode Island authorized and licensed to write workers' compensation insurance in the state of Rhode Island.

**Section 4**      **Present Value of Loss Reserves**

- A) Insurers shall be allowed to compute the present value of permanent total disability and survivor (death) benefits for reported claims and for incurred but not reported claims which represent total and permanent disability cases, exclusive of loss adjustment expenses, and shall assume a rate of interest not greater than three and one half percent (3.5%).
- B) Insurers electing to compute the present value of incurred but not reported claims which represent expected permanent total disability and survivor (death) benefit cases must maintain adequate records which clearly show that portion of the permanent total disability and survivor (death) benefit incurred but not reported claims as distinct from the total estimate of incurred but not reported claims. This present value calculation must be calculated in a consistent manner for all workers' compensation claim reserves as reported in the insurers' statutory filings regardless of claim jurisdiction.
- C) This present value shall be allowed for statutory financial reporting purposes beginning in reporting year 1993. Those companies that have reported present value levels which exceed the levels established under this Regulation shall be allowed a phase-in period ending December 31, 1994. The phase-in period shall require present value levels to be amortized rateably beginning with the nearest quarter ending which follows the effective date of this Regulation in order for the insurer to be in full compliance for the 1994 annual statement.

EFFECTIVE DATE:	November 11, 1993
AMENDED:	None
REFILED:	February 7, 2002