





STATE OF WEST VIRGINIA  
Offices of the Insurance Commissioner

Legal Division

GASTON CAPERTON  
Governor

HANLEY C. CLARK  
Insurance Commissioner

September 18, 1992

HAND DELIVERED

Ms. Judy Cooper, Director  
Administrative Law Division  
Office of Secretary of State  
State Capitol  
Charleston, WV 25305

Dear Ms. Cooper:

Enclosed please find for filing: the "Notice of Agency Approval of a Proposed Rule and Filing with the Legislative Rule-Making Review Committee;" the "Description of Rule;" the "Legislative Rule-Making Review Committee Questionnaire;" a copy of the agency-approved rule entitled "Regulation of Credit Life Insurance and Credit Accident and Sickness Insurance" for Series 6, Title 114; and a copy of the Insurance Commissioners's existing credit insurance rule, which is to be amended by the aforementioned agency-approved rule.

Very truly yours,

*B. Keith Huffman / s.g.*  
B. Keith Huffman  
General Counsel

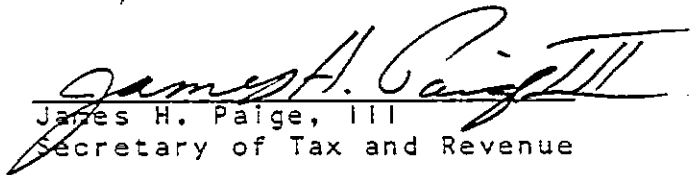
BKH/fs  
Enclosures

CONSENT TO PROPOSAL OF RULE

To Whom It May Concerns:

Pursuant to West Virginia Code § 5F-2-2(a)(12), the undersigned hereby grants consent to the proposal of the following rule proposal by the Insurance Commissioner of the State of West Virginia: Title 114, Series 6, relating to Regulation of Credit Life Insurance and Credit Accident and Sickness Insurance.

Signed this 30 day of July, 1992.

  
James H. Paige, III  
Secretary of Tax and Revenue

FISCAL NOTE FOR PROPOSED RULES

Rule Title: Regulation of Credit Life Insurance and Credit Accident and Sickness Insurance (Title 114, Series 6)

Type of Rule: XX Legislative \_\_\_\_\_ Interpretive \_\_\_\_\_ Procedural

Agency: Insurance Commissioner Address: Post Office Box 50540  
2019 Washington Street, East,  
Charleston, WV 25305-0540

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	ANNUAL		FISCAL YEAR		
1. Effect of Proposed Rule	Increase	Decrease	Current	Next	Thereafter
Estimated Total Cost	NONE				

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Personal Services

Current Expense

Repairs & Alterations NONE

Equipment

Other

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2. Explanation of above estimates:

There will be no fiscal impact on state, local or federal government.

3. Objectives of these rules:

The objective of this proposed rule, which amends Series 6 of the Insurance Commissioner's legislative rules, is to prescribe forms to be used by creditors such as retailers and lending institutions to notify consumer debtors/insureds of their right to receive refunds of or credit for unearned insurance premiums upon payment in full of consumer credit sales or consumer loans, refinancings or consolidations.

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4. Explanation of Overall Economic Impact of Proposed Rule.

A. Economic impact on State Government.

NONE

B. Economic Impact on Political Subdivisions; Specific Industries; Specific groups of citizens.

NONE

C. Economic Impact on Citizens/Public at Large.

The rule should have favorable economic impact upon consumer debtors/insureds, who must be notified of their right to receive refunds of or credit for unearned insurance premiums upon payment in full of consumer credit sales or consumer loans, refinancings or consolidations.

Date:

Aug. 7, 1992

Signature of Agency Head or Authorized Representative

Hanley C. Clark

Hanley C. Clark  
Insurance Commissioner

TO: LEGISLATIVE RULE-MAKING REVIEW COMMITTEE  
FROM: OFFICE OF THE INSURANCE COMMISSIONER  
DATE: September 18, 1992

LEGISLATIVE RULE TITLE: Regulation of Credit Life Insurance and  
Credit Accident and Sickness Insurance  
(Title 114, Series 6)

DESCRIPTION OF RULE

Pursuant to amendments to West Virginia Code § 46A-3-109 enacted in House Bill 4584 (effective March 6, 1992), the Insurance Commissioner in this proposed rule is amending existing Series 6 of his legislative rules. That rule, entitled "Regulation of Credit Life Insurance and Credit Accident and Sickness Insurance," has had added to it new Subsection 6.8.d, in which the Commissioner prescribes three forms to be used by creditors such as retailers and lending institutions to notify consumer debtor/insureds of their right to receive refunds of or credit for unearned insurance premiums upon payment in full of consumer credit sales or consumer loans, refinancings or consolidations.

TO: LEGISLATIVE RULE-MAKING REVIEW COMMITTEE  
FROM: OFFICE OF THE INSURANCE COMMISSIONER  
DATE: SEPTEMBER 18, 1992

LEGISLATIVE RULE TITLE: Regulation of Credit Life Insurance and Credit Accident and Sickness Insurance (Title 114, Series 6)

1. Authorizing statute(s) citation West Virginia Code  
§§ 33-2-10 and 46A-3-109(c)
  
2. a. Date filed in State Register with Notice of Hearing:  
August 10, 1992
  
- b. What other notice, including advertising, did you give of the hearing?  
None
  
- c. Date of hearing(s): The public comment period ended on September 11, 1992 at 4:30 p.m.
  
- d. Attach list of persons who appeared at hearing, comments received, amendments, reasons for amendments.  
Attached XX No comments received \_\_\_\_\_
  
- e. Date you filed in State Register the agency approved proposed Legislative Rule following public hearing: (be exact)  
September 18, 1992
  
- f. Name and phone number of agency person to contact for additional information:  
B. Keith Huffman  
General Counsel  
(304) 558-0401

3. If the statute under which you promulgated the submitted rules requires certain findings and determinations to be made as a condition precedent to their promulgation:

a. Give the date upon which you filed in the State Register a notice of the time and place of a hearing for the taking of evidence and a general description of the issues to be decided.

Not applicable

b. Date of hearing: Not applicable

c. On what date did you file in the State Register the findings and determinations required together with the reasons therefor?

Not applicable

d. Attach findings and determinations and reasons:

Attached Not applicable

Attachment to Question 2(d)

Only one comment to the proposed amendments to the rule was received. This comment came from Michael F. Medland, Esquire, on behalf of CUNA Mutual Insurance Groups (CUNA).

Mr. Medland noted that CUNA sells credit insurance exclusively to credit unions and their customers and, therefore operates somewhat differently than the remainder of the credit insurance industry. Due to these differences he noted particularly that:

1. Nearly 75% of CUNA credit insurance is sold to credit unions as creditors and not to the debtor. For this reason he requested a clarification in Subsection 6.8.d. of the rule that the subsection only applies to circumstances where the debtor purchases credit insurance.

In response to this comment, the Insurance Commissioner has amended the second sentence of Subsection 6.8.d. by adding the prefatory clause, "If credit insurance is sold to a consumer/debtor, the ...." This effectively excludes creditor-purchased credit insurance.

2. The remainder of CUNA's credit insurance is sold to debtors. However, the payment for the same is structured in such a way that there is seldom, or never, any unearned insurance premium at payoff. He, therefore, suggested an amendment to Appendix A to the rule to exclude circumstances where there are no unearned premiums.

The Insurance Commissioner determined that Appendix A is already flexible enough to accommodate such a circumstance, but for clarification amended the second sentence of the first paragraph of Appendix A to read "Remaining unearned premiums (if any)..." instead of the existing language "Any remaining unearned premiums...".

3. The use of the words "policy" and "premium" should be amended to make them technically correct in a credit insurance context.

"Policy" - It is noted that group credit insurance is not always issued in a "policy" as to the particular insured debtor and that, therefore, references to "policy" should be deleted. The Insurance Commissioner agrees that such group insurance is issued under either a policy or a "certificate" issued under a master policy and, therefore, has elected to amend the rule by adding the phrase "or certificate" wherever the word "policy" is used instead of deleting the word "policy". This is more consistent with the remainder of the rule which refers to a "policy or certificate." (see § 5.1.)

Attachment to Questionnaire 2(d)  
September 18, 1992  
Page 2

"Premium" - It is noted that in a group insurance context, CUNA refers to payments for credit insurance as "insurance charges" or "charge for insurance", but not as premiums. The Insurance Commissioner has elected to make no change due to the fact that the terms offered by the commentator are only semantic substitutions or euphemisms for what is, in fact, an insurance premium.

**CUNA Mutual  
Insurance Group***A Member of the Credit Union System*5910 Mineral Point Road  
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(800) 937-2644  
(VOICE & TDD)FAX: (608) 238-0830  
Cable: CUNA MUT MDS  
Telex: 26-5469**Michael F. Medland**  
Assistant Vice President  
& Associate General Counsel  
Government & Industry Relations  
Direct Phone: 608/231-8585  
Toll Free: 800/356-2644 ext. 8585  
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September 11, 1992

**B. Keith Huffman, General Counsel**  
Office of the Insurance Commissioner  
P. O. Box 50540  
2019 Washington Street, East  
Charleston, WV 25305-0540**Subject: Proposed Amendments to Legislative Rules Series 6  
(Credit Life and Credit Accident and Sickness Insurance)**

Dear Mr. Huffman:

The purpose of this letter is to provide comments and recommendations relating to the proposed amendments to 114 CSR 6 to comply with recently enacted House Bill 4584.

CUNA Mutual Insurance Society is the insurance company of the credit union system in the United States and elsewhere throughout the world. We provide our coverages exclusively to credit unions and their members. Even though we serve the credit union market exclusively, we are the largest writer of Credit Life and Credit Disability Insurance in the world and among the largest writers of these coverages in West Virginia.

Many credit unions provide credit life insurance to their borrowing members on a non-contributory basis. The premium for this coverage is paid by the credit unions from their own funds as a general overhead expense in the same way that they pay rent, utilities, fire insurance,

salaries and other operating expenses. No identifiable charge is made to insured debtors for this coverage and all eligible borrowers are automatically covered. Nearly 75% of CUNA Mutual's Credit Life Insurance coverage in force in West Virginia is provided on this creditor-paid basis.

In such instances, the credit union does not "sell" credit insurance to any borrower; rather, the credit union is the buyer of insurance to cover its own insurable interest in its borrowing members. We note that proposed 114-6-6.8.d refers to instances where the creditor is the "seller" of credit insurance and to other instances where the creditor ". . . is not the seller. . ." of credit insurance. This seems to imply that the requirements properly apply only when credit insurance is sold to a consumer debtor/insured, but that pre-condition is not specifically stated anywhere in the proposed amendments. In order to clarify this, we recommend the addition of a prefatory clause at the beginning of sub.6.8.d as follows:

"6.8.d If credit insurance is sold to a consumer/debtor, a [A] creditor. . ."

CUNA Mutual's remaining Credit Life Insurance and all of its Credit Disability Insurance in West Virginia is provided through credit unions on a debtor-paid basis. All of this Credit Life Insurance and nearly 70% of the Credit Disability Insurance in West Virginia is provided under plans in which the premium (and insurance charges to debtors) is paid on a Monthly Outstanding Balance (MOB) basis. The charge to each debtor for insurance in effect during any calendar month is generally made at the end of that month and, when coverage is terminated, there is no unearned premium (or insurance charge) to be refunded.

In circumstances such as these, any reference in the notice to the possibility of a refund would be confusing to consumers. In order to avoid creating such unnecessary confusion, we recommend that the second sentence in the first paragraph of Appendix A be allowed to be deleted when there are no unearned premiums.

Finally, each of the Appendices refers to cancellation of the credit insurance policy and to unearned insurance premiums. These references are appropriate in the rare instances when credit insurance is provided through individual policies. Most credit insurance, however, is provided through group insurance policies. When group policies are used, the policy is not cancelled when insurance on an individual debtor terminates. You will note that the underlying statute makes no reference to cancellation of the policy, but refers only to ". . .cancellation of any consumer credit insurance. . ."

Similarly, in a group insurance context, any amount paid by or refunded or credited to an individual debtor is more properly referred to as an "insurance charge" or a "charge for insurance," but not as "premium."

B. Keith Huffman, General Counsel  
Dept. of Insurance - West Virginia  
Legislative Rules Series 6  
September 11, 1992 Page No. 3

In order to correct these editorial items, we recommend that each of the Appendices be changed to delete the word "policy" and to substitute the phrase "charges for insurance" for the word "premiums."

I appreciate the opportunity to provide these comments and recommendations. Please don't hesitate to call me at the toll-free number shown above if you have any questions.

Sincerely yours,



Michael F. Medland  
Assistant Vice President  
& Associate General Counsel  
Government & Industry Relations

MFM:sb  
Huffman.WV