

**WEST VIRGINIA**  
**SECRETARY OF STATE**

**KEN HECHLER**

**ADMINISTRATIVE LAW DIVISION**

Form #3

FILED

1991 AUG 12 PM 4:32

OFFICE OF WEST VIRGINIA  
SECRETARY OF STATE

**NOTICE OF AGENCY APPROVAL OF A PROPOSED RULE  
AND  
FILING WITH THE LEGISLATIVE RULE-MAKING REVIEW COMMITTEE**

AGENCY: Insurance Commissioner TITLE NUMBER: 114

CITE AUTHORITY West Virginia Code §§ 46A-3-109(3), 33-2-10

AMENDMENT TO AN EXISTING RULE: YES  NO

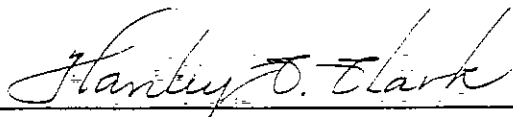
IF YES, SERIES NUMBER OF RULE BEING AMENDED: 6

TITLE OF RULE BEING AMENDED: Regulation of Credit Life Insurance  
and Credit Accident and Sickness Insurance

IF NO, SERIES NUMBER OF NEW RULE BEING PROPOSED: \_\_\_\_\_

TITLE OF RULE BEING PROPOSED: \_\_\_\_\_

THE ABOVE PROPOSED LEGISLATIVE RULE HAVING GONE TO A PUBLIC HEARING OR A PUBLIC COMMENT PERIOD IS HEREBY APPROVED BY THE PROMULGATING AGENCY FOR FILING WITH THE SECRETARY OF STATE AND THE LEGISLATIVE RULE MAKING REVIEW COMMITTEE FOR THEIR REVIEW.

  
\_\_\_\_\_  
Hanley C. Clark  
Insurance Commissioner



STATE OF WEST VIRGINIA  
Offices of the Insurance Commissioner

Legal Division

GASTON CAPERTON  
Governor

HANLEY C. CLARK  
Insurance Commissioner

August 12, 1991

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 "Notice of Agency Approval of a Proposed Rule and Filing with the Legislative Rule-Making Review Committee," "Description of Rule," "Legislative Rule-Making Review Committee Questionnaire" and a copy of the proposed rule entitled "Regulation of Credit Life Insurance and Credit Accident and Sickness Insurance" for Series 6, Title 114.

Very truly yours,

*Linda Gay*  
Linda Gay  
Associate General Counsel

LG/iw  
Enclosures

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OFFICE OF WEST VIRGINIA  
SECRETARY OF STATE

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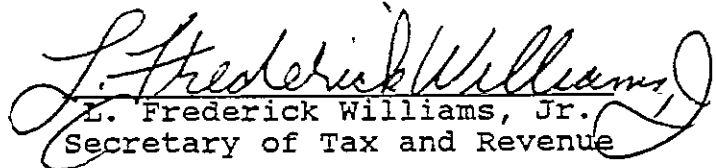
OFFICE OF WEST VIRGINIA  
SECRETARY OF STATE

CONSENT TO PROPOSAL OF RULE

To Whom It May Concern:

Pursuant to West Virginia Code §5F-2-2(a)(12), the undersigned hereby grants consent to the proposal of the following rule proposed 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 2nd day of July, 1991.

  
L. Frederick Williams, Jr.  
Secretary of Tax and Revenue

FISCAL NOTE FOR PROPOSED RULES

FILED

1991 AUG 12 PM 4: 32

Rule Title: Regulation of Credit Life Insurance and Credit Accident and Sickness Insurance

OFFICE OF WEST VIRGINIA  
SECRETARY OF STATE

Type of Rule:  Legislative  Interpretive  Procedural

Agency: Insurance Commissioner Address: 2019 Washington Street, East,  
Charleston, West Virginia 25305

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

Personal Services

Current Expense

NONE

Repairs & Alterations

Equipment

Other

2. Explanation of above estimates:

This rule will have 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 rights to cancel credit insurance and to receive refunds of or credit for unearned insurance premiums upon payment in full of consumer credit sales or consumer loans, refinancings or consolidations.

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.

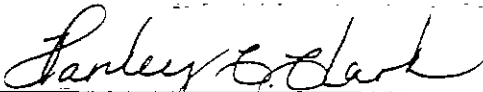
NONE

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 rights to cancel credit insurance and 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: July 9, 1991

Signature of Agency Head or Authorized Representative



Hanley C. Clark  
Insurance Commissioner

FILED

1991 AUG 12 PM 4:32

OFFICE OF WEST VIRGINIA  
SECRETARY OF STATE

TO: LEGISLATIVE RULE-MAKING REVIEW COMMITTEE

FROM: OFFICE OF THE INSURANCE COMMISSIONER

DATE: August 12, 1991

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

DESCRIPTION OF RULE

This rule amends Section 6.8 of the Insurance Commissioner's existing legislative rule entitled "Regulation of Credit Life Insurance and Credit Accident and Sickness Insurance" (Title 114, Series 6). This proposed rule amends Section 6.8 by adding thereto new subsections (d)(1) and (2), in which the Insurance Commissioner prescribes 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.

FILED

DATE: August 12, 1991  
TO: LEGISLATIVE RULE-MAKING REVIEW COMMITTEE  
FROM: OFFICE OF THE INSURANCE COMMISSIONER

1991 AUG 12 PM 4:32  
OFFICE OF WEST VIRGINIA  
SECRETARY OF STATE

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

1. Authorizing statute(s) citation West Virginia Code  
§§ 33-2-10, 46A-3-109(3)
  
2. a. Date filed in State Register with Notice of Hearing:  
July 9, 1991
  
- b. What other notice, including advertising, did you give  
of the hearing?  
None
  
- c. Date of hearing(s): The public comment period ended  
on August 8, 1991 at 4:30 p.m.
  
- d. Attach list of persons who appeared at hearing,  
comments received, amendments, reasons for amendments.  
Attached X No comments received \_\_\_\_\_
  
- e. Date you filed in State Register the agency approved  
proposed Legislative Rule following public hearing:  
(be exact)  
August 12, 1991
  
- f. Name and phone number of agency person to contact for  
additional information:  
B. Keith Huffman  
General Counsel  
(304) 348-0401

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 \_\_\_\_\_

WEST VIRGINIA LEGISLATIVE RULE  
INSURANCE COMMISSIONER

CHAPTER 33  
SERIES 6

REGULATION OF CREDIT LIFE INSURANCE AND  
CREDIT ACCIDENT AND SICKNESS INSURANCE

Section

- 114-6-1. General.
- 114-6-2. Definitions.
- 114-6-3. Amount of credit life insurance and credit accident and sickness insurance.
- 114-6-4. Term of credit life insurance and credit accident and sickness insurance.
- 114-6-5. Provisions of policies, certificates, applications and notices of proposed insurance.
- 114-6-6. Rates and refunds of credit life insurance and credit accident and sickness insurance.
- 114-6-7. Amendments.

WEST VIRGINIA LEGISLATIVE RULE  
INSURANCE COMMISSIONER

CHAPTER 33  
SERIES 6

FILED  
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SECRETARY OF STATE

REGULATION OF CREDIT LIFE INSURANCE AND  
CREDIT ACCIDENT AND SICKNESS INSURANCE

§ 114-6-1. General.

1.1. Scope. -- The purpose of this regulation is to set forth requirements to be followed by insurers which are transacting credit life insurance and credit accident and sickness insurance in West Virginia for the protection of West Virginia debtors who are participating in such insurance.

Subsection (e), section nine, article six, chapter thirty-three of the West Virginia Code of 1931 authorizes the Insurance Commissioner to disapprove any form ". . . if the benefits provided therein are unreasonable in relation to the premium charged." After review of credit life and credit accident and sickness insurance transactions in West Virginia, and after careful analysis of the studies and recommendations of the National Association of Insurance Commissioners, it is hereby ruled that benefits are not unreasonable in relation to premiums as provided for in subsection (e), section nine, article six, chapter thirty-three of the West Virginia Code, if a loss ratio of fifty percent (50%) can reasonably be expected to be developed. Reporting forms required to be filed annually will be used to determine if this standard is being met. This regulation encompasses the rates, the coverages, and general practices of insurers transacting credit life insurance and credit accident and sickness insurance in the State of West Virginia. All life insurance and all accident and sickness insurance in connection with loans or other credit transactions shall be subject to the provisions of this regulation, except such insurance in connection with a loan or other credit transaction of more than ten (10) years duration; nor shall insurance be subject to the provisions of this regulation where the issuance of such insurance is an isolated transaction on the part of the insurer not related to an agreement or a plan for insuring debtors of the creditor.

1.2. Authority. -- W. Va. Code §§ 33-2-10, 46A-3-109(3).

1.3. Filing Date. -- September 27, 1968

1.4. **Effective Date.** -- This regulation is promulgated on September 27, 1968 and shall become effective March 1, 1969. All credit life and credit accident and sickness insurance rates and forms, delivered or issued for delivery on and after March 1, 1969, except as hereinafter provided, shall conform to the provisions of this regulation as of that date. With regard to existing group credit life and credit accident and sickness insurance policies the rates and forms shall be amended to conform to the requirements of this regulation, or be terminated, not later than the anniversary of the date of issue of the contract next following the effective date of this regulation. Existing group credit life and credit accident and sickness insurance contracts that are renewed, reissued or replaced other than on their normal anniversary date of issue and all group credit life and credit accident and sickness insurance contracts newly issued to replace or supplement a creditor's existing insurance program or supplement a creditor's existing insurance program on or after September 27, 1968, shall conform to the requirements of this regulation on and after March 1, 1969. No replacement or amendment of group policies to postpone the effect of this regulation will be recognized for the purpose of this section.

**§ 114-6-2. Definitions.**

2.1. "Credit Life Insurance" means insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction.

2.2. "Credit Accident and Sickness Insurance" means insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy.

2.3. "Creditor" means the lender of money or vendor or lessor of goods, service, or property, rights or privileges, for which payment is arranged through a credit transaction, or any successor to the right, title or interest of any such lender, vendor, or lessor, and an affiliate, associate or subsidiary of them or any director, officer, or employee of any of them or any other person in any way associated with any of them.

2.4. "Debtor" means a borrower of money or purchaser of lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction.

2.5. "Indebtedness" means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction.

2.6. "Commissioner" means the Insurance Commissioner of West Virginia.

**§ 114-6-3. Amount of credit life insurance and credit accident and sickness insurance.**

3.1. Amounts payable - Credit Life Insurance. -- The initial amount of credit life insurance shall not exceed the total amount repayable under the contract of indebtedness and, where an indebtedness is repayable in substantially equal installments, the amount of unpaid indebtedness, whichever is greater.

Notwithstanding the provisions of the above paragraph, insurance on agricultural credit transaction commitments, not exceeding two (2) years in duration may be written up to the amount of the loan commitment, on a nondecreasing or level term plan. Notwithstanding the provisions of the above paragraph of this or any other section, insurance on educational credit transaction commitments may be written for the amount of the portion of such commitment that has not been advanced by the creditor.

3.2. Amounts payable - Credit accident and sickness insurance. -- The total amount of periodic indemnity payable by credit accident and sickness insurance in the event of disability, as defined in the policy, shall not exceed the aggregate of the periodic scheduled unpaid installments of the indebtedness; and the amount of each periodic indemnity payment shall not exceed the original indebtedness divided by the number of periodic installments.

**§ 114-6-4. Term of credit life insurance and credit accident and sickness insurance.**

4.1. Commencement date. -- The term of any credit life insurance or credit accident and sickness insurance shall, subject to acceptance by the insurer, commence on the date when the debtor becomes obligated to the creditor, the date from which interest or finance charges accrued or the date the debtor applied for such insurance, whichever is later, except that, where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to such indebtedness shall commence on the effective date of the policy.

4.2. Commencement date where evidence of insurability required. -- Where evidence of insurability is required and such evidence is furnished more than thirty (30) days after the date when the debtor becomes obligated to the creditor, the term of the insurance may commence on the date which the insurance company determines the evidence to be satisfactory and in such event there shall be an appropriate refund or adjustment of any charge to the debtor for insurance. The term of such insurance shall not extend more than fifteen (15) days beyond the scheduled maturity date of the indebtedness except when extended without additional cost to the debtor.

4.3. Termination date. -- All credit life and credit accident and sickness insurance shall be terminated if the indebtedness is discharged due to prepayment by the debtor, renewal or refinancing prior to the scheduled maturity date: Provided, That where no new insurance is issued in connection with a renewed or refinanced indebtedness, insurance furnished under individual policies may be continued if the debtor so elects in separate written instrument signed and delivered to the insurer at the time of such renewal or refinancing. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in Section 6-6 6.8 of this regulation.

**§ 114-6-5. Provisions of policies, certificates, applications and notices of proposed insurance.**

5.1. Policy or certificate required. -- All credit life insurance and credit accident and sickness insurance shall be evidenced by an individual policy, or in the case of group insurance by a certificate of insurance, which individual policy or group certificate of insurance shall be delivered to the debtor.

5.2. Certain information required on policy or certificate. -- Each individual policy or group certificate of credit life insurance and/or credit accident and sickness insurance shall, in addition to other requirements of law, set forth the name and home office address of the insurer, the names of the debtor or in the case of a certificate under a group policy, the identity by name or otherwise of the debtor, the premium or amount of payment, if any, by the debtor separately for credit life insurance and credit accident and sickness insurance, a description of the coverage including the amount of term thereof and any exceptions, limitations and restrictions, and shall state that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness and, wherever

amount of insurance may exceed the unpaid indebtedness, that any such excess shall be payable to a beneficiary, other than the creditor, named by the debtor or to his estate.

5.3. Delivery. -- Said individual policy or group certificate of insurance shall be delivered to the insured debtor at the time the indebtedness is incurred except as hereinafter provided. If said individual policy or group certificate of insurance is not a copy of the application for such policy or a notice of proposed insurance, signed by the debtor setting forth the name and home office address of the insurer, the name or names of the debtor, the premium or amount of payment by the debtor, if any, separately for credit life insurance and credit accident and sickness insurance, the amount, term and brief description of the coverage provided, shall be delivered to the debtor at the time such indebtedness is incurred. The copy of the application for, or notice of proposed insurance, shall also refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument or agreement, unless set forth in a separate provision on the face or reverse thereof in type at least equal in size and prominence to the type used for the provisions thereof: Provided, That the name of the debtor proposed for insurance, any figures relating to the amount of the coverage, and the rate or amount of payment for insurance by the debtor need not be contained in a separate provision of the instrument but may be set forth elsewhere in the instrument. Upon acceptance of the insurance by the insurer and within forty-five (45) days of the date upon which the indebtedness is incurred, the insurer shall cause the individual policy or group certificate of insurance to be delivered to the debtor. Said application or notice of proposed insurance shall state that upon acceptance by the insurer, the insurance shall become effective as provided in Section 4 of this regulation.

5.4. Substituted insurer. -- If the named insurer does not accept the risk, then and in such event the debtor shall receive a policy or certificate of insurance setting forth the name and home office address of the substituted insurer and the amount of the premium to be charged and if the amount of premium is less than that set forth in the notice of proposed insurance an appropriate refund shall be made.

**§ 114-6-6. Rates and refunds of credit life insurance and credit accident and sickness insurance.**

6.1. Credit life insurance. - Prima facie reasonable rates. -- A West Virginia Insurance Statute (subsection (e), section thirty-three, article six, chapter nine of the West Virginia Code) provides that the Commissioner shall disapprove any form of policy, application, rider or endorsement or withdraw any previous approval if the benefits provided therein are unreasonable in relation to the premium charged. A single premium rate of sixty-five cents (\$.65) per annum per one hundred dollars (\$100) of decreasing term life insurance discounted at three percent (3%) per annum for interest and mortality after the first twelve (12) months (or its actuarial equivalent if other than single premium) shall be deemed prima facie reasonable and any rate in this amount or less will be approved without statistical justification. A premium payable monthly at a rate of one dollar (\$1.00) per one thousand dollars (\$1,000) of outstanding unpaid insured indebtedness or a single premium of one dollar and twenty cents (\$1.20) per annum per one hundred dollars (\$100) of level term credit life insurance, shall be deemed the actuarial equivalent of the sixty-five cent (\$.65) rate.

A single premium rate of one dollar (\$1.00) per annum per one hundred dollars (\$100) of decreasing term joint life insurance discounted at three percent (3%) per annum for interest and mortality after the first twelve (12) months (or its actuarial equivalent if other than single premium) shall be deemed prima facie reasonable and any rate in this amount or less will be approved without statistical justification.

For dismemberment benefit, the rate shall be not more than five cents (\$.05) per one hundred dollars (\$100) per annum.

6.2. Credit life insurance - Exceptions, exclusions and limitations on coverage. -- Such rates as referred to in Section 6.1 of these rules, will be presumed, reasonable only if the policies contain no exceptions, limitations or exclusions other than for suicide and which contains no age restrictions, or only age restrictions making ineligible for the coverage, debtors sixty-five (65) or older at the time the indebtedness is incurred, or debtors who will have attained age sixty-six (66) or over on the maturity date of the indebtedness.

Insurance Commissioner  
Leg. Rule 33  
Series 6, Sec. 6

6.3. Accident and sickness insurance - Prima facie reasonable rates. -- For credit accident and sickness insurance the following single premium rates per one hundred dollars (\$100) of initial insured indebtedness shall be deemed prima facie reasonable: (See Table 114.6A found at the end of this regulation.)

Rates for policies of credit accident and sickness insurance on which premiums are paid other than on a single premium basis or for benefits on a basis other than illustrated above shall be actuarially consistent with the rates specified above.

6.4. Credit accident and sickness insurance - Exceptions, exclusions and limitations on coverage. -- The premium rates referred to in Schedule A, Section 6.3 of these rules are for policies which contain no exclusion for preexisting conditions except for those conditions which manifested themselves to the insured by requiring medical diagnosis or treatment within the six (6) months preceding the taking of the application for insurance and which caused loss within six (6) months following the effective date of coverage: Provided, That disability commencing thereafter resulting from such conditions shall be covered.

The premium rates referred to in Schedule B, Section 6.3 of these rules, are for policies which contain no exclusions for preexisting conditions.

Any contract to which the foregoing rates apply may contain provisions excluding or restricting coverage in the event of total disability resulting from pregnancy, intentionally self-inflicted injuries, foreign travel or residence, flight in nonscheduled aircraft, war or military service. (Except in unusual cases such insurance should not be sold to military persons, since their pay continues through periods of disability.) The policies may contain the same age limitation for eligibility as set forth for credit life policies.

6.5. Premium payment. -- The amount charged to a debtor for credit life or credit accident and sickness insurance shall not exceed the premiums charged by the insurer as computed at the time the charge to the debtor is determined.

6.6. Restrictive coverage - Separate rate filings required. -- If credit life or credit accident and sickness coverage is offered which is more restrictive than provided in Sections 6.2 and 6.4 of this regulation, the insurer shall, by a separate filing, demonstrate to the satisfaction of the

Commissioner that the schedule of premium rates applicable to such forms will or can reasonably be expected to produce a loss ratio of fifty percent (50%).

6.7. Deviations from prima facie reasonable rates. - An insurer may receive approval of a higher premium rate to be used, on a credible case, or a class of business, or in connection with a particular policy form, for insurance on debtors of creditors if the insurer demonstrates, to the satisfaction of the Commissioner, that the mortality or morbidity experience will or can reasonably be expected to produce a loss ratio of fifty percent (50%): Provided, That a loss ratio of less than sixty percent (60%) shall not be considered for purposes of an upward deviation.

6.8. Refunds. -- With respect to policies ~~issued and certificates delivered after the effective or operative date of~~ subject to this regulation:

(a) The refund of an unearned amount paid by or charged to the debtor for insurance in the case of reducing term credit life insurance or of credit accident sickness insurance, on which such charges to the debtor are payable by other than a single sum and of level term credit life insurance shall be no less than the pro rata gross unearned amount charged.

(b) The refund of an unearned amount paid by or charged to the debtor for insurance in the case of reducing term credit life insurance or of credit accident and sickness insurance, on which the insurance charges to the debtor are paid in a single sum shall not be less than the amount computed by the "Sum of the Digits" formula, commonly known as the "Rule of 78."

(c) A premium refund or credit need not be made if the amount thereof is less than one dollar (\$1.00).

(d) Creditors that automatically refund unearned consumer credit insurance premiums when a consumer credit sale or consumer loan is paid in full are not required to notify consumer/debtors of their rights to receive such refunds. The following forms shall be used by creditors such as retailers and lending institutions that sell consumer credit insurance providing life, accident, health or loss of income coverage, in notifying consumer debtors/insureds of their rights to refunds of or credit for unearned premiums paid for any such credit insurance when consumer credit sales or consumer loans, refinancings or consolidations are paid in full:

(1) the form incorporated into this regulation as Appendix A, which a retailer (i.e., an automobile dealership, furniture store, appliance store, or the like) shall use to notify a consumer debtor/insured of his or her right to cancel any such credit insurance and to receive a refund of any unearned premium paid for such insurance; and

(2) the form incorporated into this regulation as Appendix B, which lending institution shall use to notify a consumer debtor/insured of his or her right to cancel any such credit insurance and to receive a credit for any unearned premium paid for such insurance in calculating his or her loan payoff amount.

6.9. Responsibility for reviewing lender's accounts. -- It shall be the responsibility of the insurer to review each lender's account at least every eighteen (18) months verifying the accuracy of premium payments, or other indentifiable insurance charges, premium refunds, and claims incurred and prepared to exhibit the results of such review upon request of the Commissioner.

6.10. Filing of experience information. -- Insurers doing credit life and/or credit accident and sickness insurance business in this State shall annually file with the Insurance Department a report of its credit life insurance experience and credit accident and sickness insurance experience separately on reporting forms prescribed by the Commissioner.

6.11. Separability. -- If any provision of this regulation shall be held invalid, the remainder of the regulation shall not be affected thereby.

#### **§ 114-6-7. Amendments**

7.1. Amendments - Effective date. -- Amendments to this regulation were promulgated and filed in the office of the Secretary of State on May 20, 1971, and said amendments shall become effective on August 1, 1971. All credit life and credit accident and sickness insurance rates and forms, delivered or issued for delivery on and after August 1, 1971, except as hereinafter provided, shall conform to the provisions of said amendments as of that date. With regard to existing group credit life and credit accident and sickness insurance policies, the rates and forms shall be amended to conform to the requirements of said amendments, or be terminated not later than the anniversary of the date of issue of the contract next following the effective date of said amendments. Existing group credit

Insurance Commissioner  
Leg. Rule 33  
Series 6, Sec. 7

life and credit accident and sickness insurance contracts that are renewed, reissued or replaced other than on their normal anniversary date of issue and all group credit life and credit accident and sickness insurance contracts newly issued to replace or supplement a creditor's existing insurance program on or after May 20, 1971, shall conform to the requirements of said amendments on and after August 1, 1971. No replacement or amendment of group policies to postpone the effect of said amendments will be recognized for the purpose of this section.

Table 114.6A

Schedule A (6 months preexist)

No. of Months in which indebted- ness is repayable	Nonretroactive Benefits		Retroactive Benefits	
	14-day Nonretro	30-day Nonretro	14-day Retro	30-day Retro
1-6	\$ 1.30	\$ .75	\$ 1.90	\$ 1.40
7-12	1.75	1.20	2.30	1.85
13-24	2.50	1.95	3.00	2.60
25-36	3.00	2.45	3.45	3.05
37-48	3.25	2.65	3.65	3.30
49-60	3.50	2.90	3.90	3.55
61-72	3.75	3.15	4.15	3.80
73-84	3.95	3.40	4.35	4.00
85-96	4.15	3.60	4.55	4.20
97-108	4.35	3.80	4.75	4.40
109-120	4.55	4.00	4.95	4.60

Schedule B (No preexist)

No. of Months in which indebted- ness is repayable	Nonretroactive Benefits		Retroactive Benefits	
	14-day Nonretro	30-day Nonretro	14-day Retro	30-day Retro
1-6	\$ 1.45	\$ .90	\$ 2.15	\$ 1.55
7-12	1.95	1.40	2.65	2.15
13-24	2.80	2.20	3.35	2.85
25-36	3.45	2.80	4.00	3.50
37-48	3.75	3.05	4.30	3.80
49-60	4.05	3.35	4.55	4.05
61-72	4.35	3.60	4.80	4.35
73-84	4.65	3.90	5.05	4.60
85-96	4.90	4.20	5.30	4.85
97-108	5.10	4.40	5.55	5.10
109-120	5.30	4.60	5.75	5.35

NOTICE OF RIGHT TO CANCEL CREDIT INSURANCE  
AND TO RECEIVE REFUND OF UNUSED PREMIUM

SELLER Name:  
SELLER Address:

Creditor Name:  
Creditor Address:

Insurance Company Name:  
Insurance Company Address:

Consumer Debtor/Insured Name:  
Consumer Debtor/Insured Address:

Policy Number:  
Policy Expiration:

Dear           [Consumer Debtor/Insured]          :

You have completed payments on your           [loan, consumer credit purchase, etc.]           early. Therefore, ~~-----[seller-of-credit-insurance]-----~~           [creditor]           hereby gives you notice that you are entitled to cancel your credit           [life, accident, health and/or loss of income]           insurance policy from           [Insurance Company]           ~~if you desire~~; and any unused insurance premium due you will be refunded to you or such other person as you direct.

In order for you to receive this premium refund, you must file a request with the seller **SELLER** of the insurance whose name and address appear above. The seller of the insurance is then required to notify or cause the insurer to be notified of your request for cancellation of such insurance. Upon receipt by the insurer of this notification, the insurer shall cancel your credit insurance effective no later than thirty (30) days from the date of your debt repayment. The insurance company shall pay any refund of premium due you within forty-five (45) days following its notification of your requested cancellation, if you have not already received repayment of or a credit for the amount of any such premium by the seller of this insurance. Any refund of premium shall be paid to you or such other person as directed by you.

An insurer, seller, or creditor who fails to refund any unused insurance premium or provide the proper notification of payoff shall be liable for civil damages up to three times the amount of the unused premium, as well as other remedies provided by West Virginia Code { 46A-7-109.

If any problems occur, you may contact the West Virginia Insurance Commissioner at 1-800-642-9004 or (304) 348-3386.

\_\_\_\_\_  
[Signature of Creditor's Representative]

**NOTICE OF RIGHT TO CANCEL CREDIT INSURANCE  
AND TO RECEIVE CREDIT OF UNUSED PREMIUM**

Lending Institution Name:  
Lending Institution Address:

Consumer Debtor/Insured Name:  
Consumer Debtor/Insured Address:

Policy Number:  
Policy Expiration:

Dear [Consumer Debtor/Insured]:

You have expressed an interest in completing payments on your [loan or other obligation] early. Therefore, you are hereby given notice that you are entitled to cancel your credit [life, accident, health and/or loss of income] insurance policy from [Insurance Company] if you so desire, and any unused insurance premium due you will be deducted from the present balance due on your [loan or other obligation] to compute the payoff amount.

Set forth below is the calculation of your [loan or other obligation] payoff as of [date]. Please note that this payoff calculation reflects deductions for unearned interest and unused credit [life, accident, health and/or loss of income] insurance premium, based on the assumption that you will elect to cancel such insurance and to receive a credit for any unused premium.

Present balance of [loan or other obligation]  
as of [date]

Less unearned interest

Less unused credit insurance premium

Payoff Amount

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
[Signature of Lending Institution's  
Representative]

**NOTICE OF RIGHT TO CANCEL CREDIT INSURANCE  
 AND TO RECEIVE CREDIT OF UNUSED PREMIUM**

Seller Name:  
 Seller Address:

Creditor/Lendor Name:  
 Creditor/Lendor Address:

Consumer Debtor/Insured Name:  
 Consumer Debtor/Insured Address:

Insurer Name:  
 Insurer Address:

Policy Number:  
 Policy Expiration:

Dear [Consumer Debtor/Insured] :

You have [insert "completed," or "nearly completed"] payments on your [loan or other obligation] ahead of schedule. Therefore, you are hereby given notice that you are entitled to cancel your credit [life, accident, health and/or loss of income] insurance policy from [insurance company] and any unused insurance premium due you will be deducted from the amount which was due on your [loan or other obligation] to compute the payoff amount. This may result in a refund of unused premiums to you or reduction in your final payment in the amount of such unused premiums.

Set forth below is the calculation of your [payoff/refund] as of [date]. Please note that this calculation reflects deductions for unearned interest and unused credit [life, accident, health and/or loss of income] insurance premium, based on the assumption that you elect to cancel such insurance and to receive a credit for any unused premium.

(Complete one Column Only)

Payoff Calculation	Refund Calculation
Present balance of <u>[loan or other obligation]</u> as of <u>[date]</u> _____	Unearned interest _____
Less unearned interest _____	Plus unused insurance premium _____
Less unused credit insurance premium _____	Less present balance of <u>[loan or other obligation]</u> as of <u>[date]</u> _____
Payoff Amount _____	Refund Amount _____

\_\_\_\_\_  
 [Signature of Lending Institution's Representative]

ATTACHMENT TO QUESTION 2(d):

Comments concerning the proposed rule were received from Executive Vice President William F. Burfeind of the Consumer Credit Insurance Association in Chicago, Illinois, and from Assistant Vice President Claudia H. Ormrod of the Central National Life Insurance Company of Omaha. Ms. Ormrod's company is an affiliate of Beneficial of West Virginia, Inc., (BMVI).

In response to the single suggested change contained in Ms. Ormrod's comments, the Insurance Commissioner has amended Section 6.8(d) on page 8 of the proposed rule, by inserting and underscoring the following new language at the beginning of that subsection: "Creditors that automatically refund unearned consumer credit insurance premiums when a consumer credit sale or consumer loan is paid in full are not required to notify consumer/debtor of their rights to receive such refunds."

The comments made by Mr. Burfeind were dealt with as follows: Mr. Burfeind posed the question as to whether Section 6.8 of the rule was intended to address certificates issued under policies as well as insurance policies. Such section was intended to address policies as well as certificates issued thereunder and Section 6.8 was amended accordingly.

Mr. Burfeind noted that notification from a retailer to the debtor would be required only when the retailer was also the creditor and that the existing Appendices A and B were not set up so as to take into consideration a circumstance where the creditor and the retailer were different entities. The

Insurance Commissioner felt that this was an accurate comment and the appendices were amended so as to make a distinction between the creditor and the retail seller in the names and addresses at the top of each Appendix.

Mr. Burfeind noted that while Section 4.3 of the regulation requires a mandatory cancellation and refund of unearned premium when indebtedness is discharged due to prepayment, renewal, or refinancing, that Appendices A and B seem to be permissive and give the debtor an option as to whether or not to cancel the credit insurance policy. In keeping with this comment, the Insurance Commissioner has deleted the language "if you so desire" from paragraph one of Appendix A and Appendix B respectively. A citation error was also found in § 4.3 where reference was made to § 6.6. This should have been a reference to § 6.8 and was corrected accordingly.

Mr. Burfeind also noted that Appendix A requires the debtor to give notice to the seller of the credit insurance policy, but does not set forth the name and address of the seller on the notification form. Consistent with the amendments to Appendix A noted above, the name and address of the seller of the credit insurance policy was added to the form.

Mr. Burfeind also notes, what he considers to be, an incorrect statutory citation contained in the third full paragraph of the second page of Appendix A. A check indicated that the citation in the rule as put out for comment was correct.

Mr. Burfeind suggests that as to Appendix B, the name and address of the insurance company should be noted. The Insurance Commissioner's staff felt that this was helpful and adopted his suggestion.

Lastly, Mr. Burfeind opines that Appendix B could apply to situations prior to the actual payment in full of the insured debt and that notice in such circumstances was not necessary. Information available to the Insurance Commissioner's staff indicates that actual industry practice is often to recalculate the amount due on the consumer loan immediately before the last payment is due, and in so doing, to consider unearned insurance premium and unearned interest. Such calculation is used to reduce the debtor's last payment instead of the creditor receiving a full payment and then refunding the excess amounts to the debtor. For this reason, alternative calculation columns were added to Appendix B to cover both the situation where unearned premium and unearned interest are deducted from the final payment and alternatively where the final payment is made and then a calculation is made to refund unearned interest and unearned premium.

Claudia H. Ormrod  
Assistant Vice President  
Credit Operations  
903 781-4353  
908 781-4593 FAX

**The Central  
National Life**  
Insurance Company  
of Omaha

400 Beneficial Center  
Peapack, New Jersey 07977

RECEIVED

August 7, 1991

LEGAL DIVISION  
W. VA. INS. DEPT.

B. Keith Huffman  
General Counsel  
Office of the Insurance Commissioner  
2019 Washington Street, East  
Charleston, WV 25305

Re: Regulation of Credit Life Insurance and Credit Accident  
and Sickness Insurance - Leg. Rule 33, Series 6, Section 6

Dear Mr. Huffman:

The Central National Life Insurance Company of Omaha (CNL), respectfully submits the following comments on the proposed addition to Section 6.8 of the Regulation cited above.

Proposed Section 6.8(d) appears to require all creditors that sell consumer credit insurance to use the prescribed form letters to notify debtor/insureds of their right to refunds of unearned consumer credit insurance premiums. Our concern is that any creditor that follows the practice of automatically refunding unearned consumer credit insurance upon sales finance or loan payoff, such as our affiliate Beneficial West Virginia Inc. (BWVI), would also be required to use the appropriate form letter. Of course, when such when such a practice is followed, the debtor/insured does not have to formally request a refund of unearned consumer credit insurance premiums. In the case of BWVI, those refunds are automatically calculated and itemized on a receipt by the data processing system upon prepayment in full.

Because it would be redundant and burdensome to require creditors who automatically refund unearned consumer credit insurance premiums to also notify debtor/insureds of their "right to a refund", we suggest that language be inserted into the proposed Regulation to exempt creditors who follow that practice. Adding the phrase "and who do not automatically refund unearned consumer credit insurance premiums when a consumer credit sale or consumer loan is paid in full" after the word "coverage" in the fourth line of proposed Section 6.8(d) would, in our opinion, provide the suggested exemption.

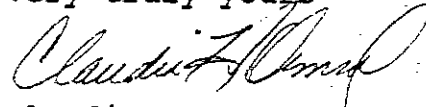
 **Beneficial  
Insurance Group**

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August 7, 1991

If the suggested exemption language does not meet with the your approval, either Mr. Joseph V. DiPietro, Government Relations Director for Beneficial Management Corporation of America or I would be happy to discuss alternative language.

We appreciate the opportunity to provide our comments.

Very truly yours



Claudia H. Ormrod

cc: Mr. Daniel R. O'Brien  
Mr. Jerome E. Leitner  
Mr. Donald J. Hannah  
Ms. Marianne McConnell  
Mr. Joseph V. DiPietro  
Ms. Constance M. Scott

CHO

# CONSUMER CREDIT INSURANCE ASSOCIATION

542 South Dearborn Street - Suite 400 Chicago, Illinois 60605  
Telephone (312) 939-2242 FAX (312) 939-8287

WILLIAM F. BURFEIND  
EXECUTIVE VICE PRESIDENT

August 7, 1991

Mr. B. Keith Huffman  
General Counsel  
Office of the Insurance Commissioner  
2019 Washington Street, East  
Charleston, WV 25305

RE: Proposed Amendments to Credit Life Insurance  
and Credit Accident and Sickness Insurance-  
Chapter 33, Series 6

Dear Mr. Huffman:

The Consumer Credit Insurance Association is a national trade association of insurance companies engaged in the business of insuring consumer credit transactions. A number of our member insurance companies are doing business in the state of West Virginia. Accordingly, CCIA has a real and substantial interest in the proposed amendments to the regulation of credit life insurance and credit accident and sickness insurance.

Chapter 29A, Article 3, of the Administrative Procedures Act establishes procedures which must be followed in the promulgation of rules. Specifically, §29A-3-4, §29A-3-5, and §29A-3-7 recite notice requirements. CCIA first became aware of and received a copy of the text of the proposal on August 2, 1991. Having received only the text of the proposal, CCIA does not know whether or not the notice and hearing requirements have been complied with. While responding to the text of the proposals below, CCIA does not waive its right to administrative or legal remedies if the notice is defective.

Regarding the text of the proposed rule, the amendments to §6.8 need reconsideration and clarification. As amended, only "policies" are subject to the regulation. Most credit insurance is sold under a group policy. The policyholder is the creditor. Consumer/debtors are enrolled under the policy and issued "certificates" of insurance. Consumer/debtors cannot cancel the policy, only their coverage. Does the Insurance Department intend only policies or policies and certificates to be subject to §6.8 of this regulation?

Mr. B. Keith Huffman  
August 7, 1991  
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§6.8(d)(1) and (2) require retailers and lending institutions to notify consumer/debtors of their right to cancel credit insurance coverage and receive a refund or credit of unearned premium. §46A-3-109(2)(f) of the West Virginia Statutes requires the "creditor receiving such payment" to inform the debtor of this right. Notice from the retailer would be required only when the retailer is also the creditor.

To provide this notice, form letters identified as Appendix A and Appendix B are proposed. Appendix A is a form letter to be used by a retailer but appears to originate with the lender. If the creditor is not the seller of credit insurance, how can the seller give notice? Further, recall that the statutory duty for notice rests only with the creditor.

In our opinion, the most significant defect in the text of both Appendix A and Appendix B is the notice that the debtor is "entitled to cancel your credit insurance if you desire." This implies that the cancellation and refund of unearned premium is discretionary with the debtor when it is not. §4.3 of the regulation requires a cancellation and refund of unearned premium when the indebtedness is discharged due to prepayment, renewal or refinancing.

Regarding Appendix A, further comments are in order. The letter directs the consumer/ debtor to file a request with "the seller of the insurance whose name and address appear above." The seller's name and address is not provided for above. Instead, the creditor name and address appears. Also, there is a citation to West Virginia Code §46A-7-109 which should be §46A-3-109.

Regarding Appendix B, further comment is in order. This letter is from the lending institution representative to the consumer/debtor. Yet, the head note recites the name and address for the lending institution and consumer/debtor. Instead of this redundant recitation, shouldn't the name and address of the insurance company be noted? Further, the text of the letter indicates it would originate when the consumer/debtor "expressed an interest" in early payment and "based on the assumption" that the consumer/debtor "will elect to cancel." Neither the statute nor regulation require notice in these circumstances. §46A-3-109(2)(f) of the statute and §6.8(d) of the proposed regulation both require the notice when the debt "is paid in full."

Summarizing, the proposed amendments need to be re-written after review and consideration of the following:

- The distinction between insureds under individual policies and group policies/certificates.
- Whether or not a retailer is a creditor.

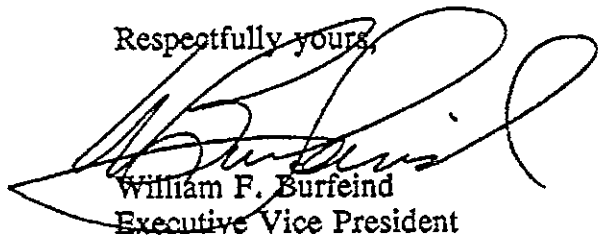
CONSUMER CREDIT INSURANCE ASSOCIATION

Mr. B. Keith Huffman  
August 7, 1991  
Page Three

- Re-write the proposed amendments, including Appendix A and Appendix B consistent with the statutory requirements and definitions.

CCIA recognizes and supports the consumer/debtor right to receive the refund of unearned premium when the indebtedness is prepaid other than as a result of credit insurance policy benefits. Further, we recognize the right of the Insurance Commissioner to prescribe the form of notice to the consumer/debtor. However, that form must be consistent with other statutory provisions. We would be pleased to discuss any of our above comments with you.

Respectfully yours,



William F. Burfeind  
Executive Vice President

WFB/djp