

WEST VIRGINIA ADMINISTRATIVE REGULATION
INSURANCE COMMISSIONER

No. 6
1968

REGULATION OF CREDIT LIFE INSURANCE AND
CREDIT ACCIDENT AND SICKNESS INSURANCE

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FILED IN THE OFFICE OF
A. JAMES MANCHIN
SECRETARY OF STATE

THIS DATE 12-10-82
Administrative Law Division

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Title 1141
Legislative Rule

~~WEST VIRGINIA ADMINISTRATIVE REGULATION~~
INSURANCE COMMISSIONER

FILED IN THE OFFICE OF
A. JAMES MANCHIN
SECRETARY OF STATE

Series No. 6
~~1968~~

THIS DATE 12-10-82
Administrative Law Division

Regulation of Credit Life Insurance and
Credit Accident and Sickness Insurance

Section 1. General

1:01 ~~Identification of Rule~~ - This regulation is a Legislative Rule, as defined by the provisions of Chapter 29A, Article 1, Section 2(d) of the Code of West Virginia of 1931, as amended.

1:02 ~~Reference~~ - This regulation relates to Chapter 33, Article 6, Section 8 and Chapter 33, Article 6, Section 9; Chapter 33, Article 13; Chapter 33, Article 14; Chapter 33, Article 15; Chapter 33, Article 16; and Chapter 33, Article 16A of the Code of West Virginia of 1931, as amended.

1:03 Authority - This regulation is promulgated under the authority vested in the Insurance Commissioner by Chapter 33, Article 2, Section 10 of the Code of West Virginia of 1931, as amended.

Scope
1:04 ~~Purpose~~ - 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.

Section 33-6-9(e) 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 Section 33-6-9 (e), if a loss ratio of 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.

1:05 Scope - 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 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.

~~1:06~~ 1:06 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 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.

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1:07 Filing Date - This regulation was filed in the Office of the Secretary of State on September 27, 1968.

1:08 Certification - This regulation is certified authentic by the Insurance Commissioner of West Virginia by Certificate Number 6.

Section 2. Definitions

2:01 Credit life insurance means insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction.

2:02 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.

2:03 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 any of them or any director, officer, or employee of any of them or any other person in any way associated with any of them.

2:04 Debtor means a borrower of money or purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction.

2:05 Indebtedness means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction.

2:06 Commissioner means the Insurance Commissioner of West Virginia.

Section 3. Amount of Credit Life Insurance and Credit Accident and Sickness Insurance

3:01 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 years in duration may be written up to the amount of the loan commitment, on a non-decreasing 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.

3:02 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.

Section 4. Term of Credit Life Insurance and Credit Accident and Sickness Insurance

4:01 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.

4:02 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.

4:03 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, however, 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 a 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 6:06 of this regulation.

Section 5. Provisions of Policies, Certificates, Applications and Notices of Proposed Insurance

5:01 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.

5:02 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 the 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.

5:03 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 delivered to the debtor at the time the indebtedness is incurred, 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 a 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.

5:04 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.

Section 6. Rates and Refunds of Credit Life Insurance and Credit Accident and Sickness Insurance

6:01 Credit Life Insurance - Prima Facie Reasonable Rates - A West Virginia Insurance Statute (W. Va. Code 33-6-9 (e)) 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 \$.65 per annum per \$100.00 of decreasing term life insurance discounted at 3% per annum for interest and mortality after the first twelve 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 \$1.00 per \$1,000.00 of outstanding unpaid insured indebtedness, or a single premium of \$1.20 per annum per \$100.00 of level term credit life insurance, shall be deemed the actuarial equivalent of the \$.65 rate.

A single premium rate of \$1.00 per annum per \$100.00 of decreasing term joint life insurance discounted at 3% per annum for interest and mortality after the first twelve 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 \$.05 per \$100.00 per annum.
(Amended 1971)

6:02 Credit Life Insurance - Exceptions, Exclusions and Limitations on Coverage - Such rates as referred to in Section 6:01 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 65 or older at the time the indebtedness is incurred, or debtors who will have attained age 66 or over on the maturity date of the indebtedness.

6:03 Accident and Sickness Insurance - Prima Facie Reasonable Rates - For credit accident and sickness insurance the following single premium rates per \$100.00 of initial insured indebtedness shall be deemed prima facie reasonable:

Schedule A (6 months pre-exist)

<u>No. of Months in which indebted- ness is repayable</u>	<u>Nonretroactive Benefits</u>		<u>Retroactive Benefits</u>	
	<u>14-day Nonretro</u>	<u>30-day Nonretro</u>	<u>14-day Retro</u>	<u>30-day Retro</u>
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 pre-exist)

<u>No. of Months</u> <u>in which indebted-</u> <u>ness is repayable</u>	<u>Nonretroactive Benefits</u>		<u>Retroactive Benefits</u>	
	<u>14-day</u> <u>Nonretro</u>	<u>30-day</u> <u>Nonretro</u>	<u>14-day</u> <u>Retro</u>	<u>30-day</u> <u>Retro</u>
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

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.
(Amended 1971)

6:04 Credit Accident and Sickness Insurance - Exceptions, Exclusions and Limitations on Coverage - The premium rates referred to in Schedule A, Section 6:03, are for policies which contain no exclusion for pre-existing conditions except for those conditions which manifested themselves to the insured by requiring medical diagnosis or treatment within the six months preceding the taking of the application for insurance and which caused loss within six months following the effective date of coverage; provided, however, that disability commencing thereafter resulting from such conditions shall be covered.

The premium rates referred to in Schedule B, Section 6:03, are for policies which contain no exclusions for pre-existing 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 non-scheduled 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.
(Amended 1971)

6:05 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.

6:06 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 6:02 and 6:04 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 50%.
(Amended 1971)

6:07 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 50%, provided that a loss ratio of less than 60% shall not be considered for purposes of an upward deviation.
(Amended 1971)

6:08 Refund - With respect to policies issued and certificates delivered after the effective or operative date of 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 and 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 (\$1.00) dollar.

6:09 Responsibility for Reviewing Lender's Accounts - It shall be the responsibility of the insurer to review each lender's account at least every 18 months verifying the accuracy

of premium payments, or other identifiable 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.

Section 7. Amendments

7.01 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 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.

(Amended 1971)