

DEPARTMENT OF INSURANCE

December 2, 2015

Bulletin 222

Credit Life and Accident and Health Rates

This bulletin is directed to all insurers engaged in the business of selling credit insurance in the state of Indiana. Pursuant to [760 IAC 1-5.1-4](#), benefits provided by consumer credit insurance policies must be reasonable in relation to the premium charged. A loss ratio of less than 55% is regarded as unreasonable. [760 IAC 1-5.1](#) (the "Rule") provided prima facie rates considered to meet the reasonableness requirement. [760 IAC 1-5.1-9](#) requires the Commissioner to review the loss ratio standards and the prima facie rates contained in the Rule on a triennial basis. This bulletin is intended to fulfill the requirements of the Rule.

The applicable provisions of [760 IAC 1-5.1](#) were effective January 1, 2003, and rates were last reviewed in 2012 (see Bulletin 194). With the conclusion of the calendar year 2014, there are three new years of experience available, and the triennial review is due.

Discount Rate

Pursuant to [760 IAC 1-5.1-9](#), every three years the discount rate is to be adjusted based on the sales of the three-year Treasury Notes on the last day of the last three calendar years. The rates paid at the last day of 2012, 2013, and 2014 are listed below:

Calendar Year	3 Year Treasury Rate
2012	0.36
2013	0.78
2014	1.10
Average for 3 years	0.75

Based upon this information the discount rate would reduce slightly from the prior analysis. A reduced discount rate results in larger single premiums being collected for credit insurance coverages.

Conclusion

The discount rates to be used are 1.15% for life and 0.75% for accident and health. The life discount rate includes 0.4% for mortality.

Life**Actual Experience**

Based on data received from the National Association of Insurance Commissioners (NAIC), credit life insurance has generated the following loss ratios over the last three calendar years:

Calendar Year	Loss Ratio
2012	67.5
2013	63.8
2014	65.9
Aggregate for 3 years	65.7

Adjusting the above Loss Ratios for the adjustment to prima facie rates would result in the following loss ratios:

Calendar Year	Loss Ratio
2012	64.9
2013	56.4
2014	60.1
Aggregate for 3 years	60.5

The loss ratio for credit life has been slightly above 55%. Based on this, the Commissioner could issue a decrease to the prima facie rates. However, the Commissioner has determined that no rate adjustment is necessary; therefore, the prima facie rates will not change.

Conclusion

Based on the above information, the credit life prima facie rates for monthly outstanding balance basis are therefore increased to:

- 1) Sixty-five cents (\$0.65) per month per one thousand dollars (\$1,000) of outstanding insured debt on single life; and
- 2) One dollar and nine cents (\$1.09) per month per one thousand dollars (\$1,000) of outstanding insured debt on joint life;

if premiums are payable on a monthly outstanding balance basis.

Accident and Health/Disability

Actual Experience

Based on data received from the NAIC, credit accident and health insurance has generated the following loss ratios over the last three calendar years:

Calendar Year	Loss Ratio
2012	48.9
2013	44.4
2014	45.7
Aggregate for 3 years	46.3

Adjusting the above Loss Ratios for the adjustment to prima facie rates would result in the following loss ratios:

Calendar Year	Loss Ratio
2012	52.2
2013	47.7
2014	49.6
Aggregate for 3 years	49.8

The aggregate loss ratio has been less than the statutory target of 55%, indicating a decrease in the prima facie rates of 10%.

Conclusion

The rate adjustment indicated for accident and health is a decrease of 10%. Thus, the rates are shown below. The credit accident and health prima facie rates are single premium rates based on type of coverage (14 day retro and nonretro and 30 day retro and nonretro) and length of loan.

Original Number of Equal Monthly Installments	14 Day Retroactive Policy	14 Day Nonretroactive Policies	30 Day Retroactive Policies	30 Day Nonretroactive Policies
6	1.32	0.86	0.89	0.67
12	1.76	1.23	1.21	0.9
24	2.37	1.7	1.7	1.19
36	2.92	2.24	2.21	1.6
48	3.25	2.57	2.53	1.9
60	3.53	2.84	2.81	2.15
72	3.79	3.08	3.06	2.38
84	4.01	3.31	3.28	2.62
96	4.22	3.53	3.49	2.83
108	4.45	3.73	3.7	3.03
120	4.65	3.92	3.9	3.23

Rates other than the prima facie rates announced in this bulletin may be used if they are filed with the Department and approved as reasonable in relation to the benefits provided. Information on filing rates may be found on the Department's website at www.in.gov/idoi.

Questions regarding this bulletin should be directed to compliance@idoi.in.gov.

INDIANA DEPARTMENT OF INSURANCE

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Posted: 12/09/2015 by Legislative Services Agency
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