

Document: Final Rule, **Register Page Number:** 26 IR 19

Source: October 1, 2002, Indiana Register, Volume 26, Number 1

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TITLE 760 DEPARTMENT OF INSURANCE

LSA Document #01-399(F)

DIGEST

Adds 760 IAC 1-5.1 to establish standards for credit life insurance and credit accident and health insurance. Repeals 760 IAC 1-5 and 760 IAC 1-14. Partially effective 30 days after filing with the secretary of state and partially effective January 1, 2003.

760 IAC 1-5

760 IAC 1-5.1

760 IAC 1-14

SECTION 1. 760 IAC 1-5.1 IS ADDED TO READ AS FOLLOWS:

Rule 5.1. Credit Life Insurance; Credit Accident and Health Insurance

760 IAC 1-5.1-1 Purpose and authority

Authority: IC 27-1-3-7; IC 27-8-4-12

Affected: IC 24-4.5-4-102

Sec. 1. The purpose of this rule is to protect the interests of debtors and the public in this state by providing a system of rate, policy form, and operating standards for the regulation of consumer credit insurance. (*Department of Insurance; 760 IAC 1-5.1-1; filed Sep 9, 2002, 3:00 p.m.: 26 IR 19, eff Jan 1, 2003*)

760 IAC 1-5.1-2 Definitions

Authority: IC 27-1-3-7; IC 27-8-4-12

Affected: IC 24-4.5-4-102; IC 27-1-23-1

Sec. 2. (a) The following definitions apply throughout this rule:

- (1) "Affiliate" has the meaning set forth in IC 27-1-23-1.**
- (2) "Closed-end credit" means a credit transaction that does not meet the definition of open-end credit.**
- (3) "Compensation" means:**
 - (A) commissions;**
 - (B) dividends;**
 - (C) retrospective rate credits;**
 - (D) service fees;**
 - (E) expense allowances or reimbursements;**
 - (F) gifts;**
 - (G) furnishing of equipment, facilities, goods, or services; or**
 - (H) any other form of remuneration resulting directly from the sale of consumer credit insurance.**
- (4) "Consumer credit insurance" is a general term used to refer to any or all of credit life insurance and credit accident and health insurance.**
- (5) "Control" has the meaning set forth in IC 27-1-23-1.**
- (6) "Evidence of individual insurability" means a statement furnished by the debtor, as a condition of insurance becoming effective, that relates specifically to the health status or to the health or medical history of the debtor.**
- (7) "Gross debt" means the sum of the remaining payments owed to the creditor by the debtor.**

(8) “Identifiable insurance charge” means a charge for a type of consumer credit insurance that is made to debtors having such insurance and not made to debtors not having such insurance; it includes a charge for insurance that is disclosed in the credit or other instrument furnished to the debtor that sets out the financial elements of the credit transaction and any difference in the finance, interest, service, or other similar charge made to debtors who are in like circumstances except for the insured or noninsured status of the debtor.

(9) “Loss ratio” means incurred claims divided by the sum of earned premiums and imputed interest earned on unearned premiums.

(10) “Net debt” means the amount necessary to liquidate the remaining debt in a single lump sum payment, excluding all unearned interest and other unearned finance charges.

(11) “Open-end credit” means credit extended by a creditor under an agreement in which the:

(A) creditor reasonably contemplates repeated transactions;

(B) creditor imposes a finance charge from time to time on an outstanding unpaid balance; and

(C) amount of credit that may be extended to the debtor during the term of the agreement (up to any limit set by the creditor) is generally made available to the extent that any outstanding balance is repaid.

(12) “Person” has the meaning set forth in IC 27-1-23-1.

(13) “Preexisting condition” means any condition for which the insured debtor received medical advice, consultation, or treatment within six (6) months before the effective date of the coverage and from which the insured debtor becomes disabled within six (6) months after the effective date of this coverage.

(b) The following definitions apply throughout section 10 of this rule:

(1) “Experience” means earned premiums and incurred losses during the experience period.

(2) “Experience period” means the most recent period of time for which earned premiums and incurred losses are reported, but not for a period longer than three (3) full years.

(3) “Incurred losses” means total claims paid during the experience period, adjusted for the change in claim reserve.

(Department of Insurance; 760 IAC 1-5.1-2; filed Sep 9, 2002, 3:00 p.m.; 26 IR 20, eff Jan 1, 2003)

760 IAC 1-5.1-3 Rights and treatment of debtors

Authority: IC 27-1-3-7; IC 27-8-4-12

Affected: IC 24-4.5-4-102; IC 27-1-12-37; IC 27-8-4-4

Sec. 3. (a) If a creditor makes available to the debtors more than one (1) plan of consumer credit insurance, every debtor must be informed of each plan for which the debtor is eligible and of the premium or insurance charge for each.

(b) When a creditor requires insurance as additional security for a debt, the creditor shall inform the debtor that the debtor has the option of procuring alternative coverage. The debtor shall be informed by the creditor of the right to provide alternative coverage before the transaction is completed.

(c) The following applies to the termination of a group consumer credit insurance policy:

(1) If a debtor is covered by a group consumer credit insurance policy providing for the payment of single premiums to the insurer, or any other premium payment method that prepays coverage beyond one (1) month, then provision shall be made by the insurer that in the event of termination of the policy for any reason, insurance coverage with respect to any debtor insured under the policy shall be continued for the entire period for which the premium has been paid.

(2) If a debtor is covered by a group consumer credit insurance policy providing for the payment of premiums to the insurer on a monthly basis, then the policy shall provide that, in the event of termination of the policy, termination notice shall be given to the insured debtor at least thirty (30) days prior to the effective date of termination, except where replacement of the coverage by the same or another insurer in the same or greater amount takes place without lapse of coverage. The insurer shall provide or cause to be provided this required information to the debtor.

(d) If the creditor adds identifiable insurance charges or premiums for consumer credit insurance to the debt, and any direct or indirect finance, carrying, credit, or service charge is made to the debtor on the insurance charges or premiums, the creditor must remit and the insurer shall collect the premium within sixty (60) days after it is added to the debt.

(e) If the debt is discharged due to refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the refinanced debt. In all cases of termination prior to scheduled maturity, a refund of all unearned premium or unearned insurance charges paid by the debtor shall be paid or credited to the debtor as provided in section 8 of this rule. In any refinancing of the debt, the effective date of the coverage as respects any policy provision shall be deemed to be the first date on which the debtor became insured under the policy with respect to the debt that was refinanced, at least to the extent of the amount and term of the debt outstanding at the time of refinancing of the debt.

(f) A provision in an individual policy or group certificate that sets a maximum limit on total claim payments must apply only to that individual policy or group certificate.

(g) If a debtor prepays the debt in full, then any consumer credit insurance covering the debt shall be terminated and an appropriate refund of the consumer credit insurance premium shall be paid or credited to the debtor in accordance with section 8 of this rule. However, if the prepayment is a result of death or any other lump sum consumer credit insurance payment, no refund shall be required for the coverage under which the lump sum was paid. If a claim under credit accident and health coverage is in progress at the time of prepayment, the amount of refund may be determined as if the prepayment did not occur until the payment of benefits terminates. No refund need be paid during any period of disability for which credit accident and health benefits are payable. A refund shall be computed as if prepayment occurred at the end of the disability period.

(h) If a creditor has opened a line of credit for a debtor and, if permitted under IC 27-8-4-4(A) or IC 27-1-12-37(2)(F), is charging for this line of credit rather than the amount of debt in the event of the death of the debtor, the insured amount due is the amount of the established amount of credit against which premium was last charged. (*Department of Insurance; 760 IAC 1-5.1-3; filed Sep 9, 2002, 3:00 p.m.: 26 IR 20, eff Jan 1, 2003*)

760 IAC 1-5.1-4 Determination of reasonableness of benefits in relation to premium charge

Authority: IC 27-1-3-7; IC 27-8-4-12

Affected: IC 24-4.5-4-102

Sec. 4. (a) Benefits provided by consumer credit insurance policies must be reasonable in relation to the premium charged. This requirement is satisfied if the premium rate charged develops or may reasonably be expected to develop a loss ratio of not less than fifty-five percent (55%). With the exception of deviations approved under section 10 of this rule, the rates shown in sections 6 and 7 of this rule, as adjusted pursuant to section 9 of this rule, shall be presumed to satisfy this loss ratio standard. Anticipated losses that develop or are expected to develop a loss ratio of not less than fifty-five percent (55%) shall be presumed reasonable. Any insurer filing a deviation in accordance with section 10 of this rule must satisfy the fifty-five percent (55%) loss ratio standard for their total consumer credit insurance business.

(b) If any insurer files for approval of any form providing coverage different than that described in sections 6 and 7 of this rule, the insurer shall demonstrate to the satisfaction of the commissioner that the premium rates to be charged for such coverage are:

(1) reasonably expected to develop a loss ratio of not less than fifty-five percent (55%); or

(2) actuarially consistent with the rates used for standard coverages.

(*Department of Insurance; 760 IAC 1-5.1-4; filed Sep 9, 2002, 3:00 p.m.: 26 IR 21, eff Jan 1, 2003*)

760 IAC 1-5.1-5 Compensation limitations

Authority: IC 27-1-3-7; IC 27-8-4-12

Affected: IC 24-4.5-4-102

Sec. 5. (a) An insurer shall not pay compensation in excess of forty percent (40%) of the net written prima facie premium of which not more than thirty-three [percent] (33%) of net written prima facie premium may be paid to a creditor.

(b) For purposes of subsection (a), prima facie premium means premium using the premium rates set out in sections 6 and 7 of this rule, or actuarially consistent premium rates for plans not described in sections 6 and 7 of this rule, without any adjustment pursuant to section 10 of this rule. (*Department of Insurance; 760 IAC 1-5.1-5; filed Sep 9, 2002, 3:00 p.m.: 26 IR 21, eff Jan 1, 2003*)

760 IAC 1-5.1-6 Credit life insurance rates

Authority: IC 27-1-3-7; IC 27-8-4-12

Affected: IC 24-4.5-4-102

Sec. 6. (a) Subject to the conditions and requirements in subsection (b) and section 10 of this rule, the following prima facie rates are considered to meet the requirements of section 4 of this rule, and may be used without filing additional actuarial support:

(1) For monthly outstanding balance basis, sixty-nine cents (\$0.69) per month per one thousand dollars (\$1,000) of outstanding insured debt on single life and one dollar and fifteen cents (\$1.15) 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.

(2) If the premium is charged on a single premium basis, the rate shall be computed according to the following formula or according to a formula approved by the commissioner that produces rates substantially the same as those produced by the following formula:

$$S_p = \sum_{t=1}^n \left(\frac{O_p}{10} \times \frac{I_t}{I_i} \times (v^{t-1}) \right)$$
$$v = \frac{1}{1 + (\text{dis})}$$

Where: S_p = Single premium per one hundred dollars (\$100) of initial consumer credit life insurance coverage.

O_p = 0.69, the prima facie consumer credit life insurance premium rate for monthly outstanding balance coverage from subdivision (1).

I_t = The scheduled amount of insurance for month t.

I_i = Initial amount of insurance. For a net insurance policy, I_i equals the initial principal balance of the loan.

dis = 0.0044, representing an annual discount rate of 5.0% for interest plus four-tenth [sic., four-tenths] of one percent (0.4%) for mortality.

n = The number of months in the term of the insurance.

(3) If the benefits provided are other than those described in this section, premium rates for such benefits

shall be actuarially consistent with the rates provided in subdivisions (1) and (2).

(4) The prima facie rates included in this subsection and any other rates approved for use that are computed in accordance with the formula in subdivision (2) are presumed sufficient to provide for up to two (2) months of delinquencies. Therefore, the determination of the premium shall not reflect delinquencies.

(b) The premium rates in subsection (a) shall apply to contracts providing credit life insurance that are offered to all eligible debtors, that do not require evidence of individual insurability from any eligible debtor electing to purchase coverage within thirty (30) days of the date the debtor becomes eligible, and that contain the following provisions:

(1) Coverage for death by whatever means caused, except that coverage may exclude death resulting from any of the following:

(A) War or any act of war.

(B) Suicide within six (6) months after the effective date of the coverage.

(C) A preexisting condition or conditions. For the purpose of this subsection, the following apply:

(i) "Preexisting condition" means any condition for which the debtor received medical advice or treatment within six (6) months preceding the effective date of coverage.

(ii) No preexisting condition exclusion shall apply unless:

(AA) death is caused by or substantially contributed to by the preexisting condition; and

(BB) death occurs within six (6) months following the effective date of coverage.

(iii) A preexisting condition exclusion shall apply only if and to the extent that the amount of coverage to which it would otherwise apply (in the absence of this limitation) exceeds one thousand dollars (\$1,000).

(2) For the exclusions listed in subdivisions (1)(B) and (1)(C), the effective date of coverage for each part of the insurance attributable to a different advance or a charge to the plan account is the date on which the advance or charge occurs.

(3) At the option of the insurer and in lieu of a preexisting condition exclusion on insurance written in connection with open-ended consumer credit, a provision may be included to limit the amount of insurance payable on death due to natural causes to the balance as it existed six (6) months prior to the date of death if there has been one (1) or more increases in the outstanding balance during the six (6) month period and if evidence of individual insurability has not been required in the six (6) month period prior to the date of death. This provision applies only if and to the extent that the amount of coverage to which it would otherwise apply (in the absence of this limitation) exceeds one thousand dollars (\$1,000).

(4) An age restriction providing that no insurance will become effective on debtors on or after the attainment of age sixty-six (66) and that all insurance will terminate upon attainment by the debtor of age sixty-six (66).

(c) The insurer shall apply rates as follows:

(1) If the insurer, its agent, or the application form for credit life insurance does not request or require that the debtor provide evidence of insurability, then the premium rates deemed reasonable will be the prima facie rates in subsection (a).

(2) Except as provided in subdivision (3), if the insurer, its agent, or the application form for credit life insurance requests or requires that the debtor provide evidence of insurability and the initial amount of insurance is fifteen thousand dollars (\$15,000) or less, then the premium rates deemed reasonable will be the rates in subsection (a) multiplied by ninety percent (90%).

(3) If the insurer, its agent, or the application form for credit life insurance requests or requires that the debtor provide evidence of insurability and the initial amount of insurance is greater than fifteen thousand dollars (\$15,000) or the applicant elects to purchase coverage more than thirty (30) days after the date the debtor became eligible under a group plan of insurance, then the premium rates deemed reasonable will be the prima facie rates in subsection (a). For policies insuring open lines of credit, the insurer may require evidence of insurability for commitments that increase the outstanding debt above fifteen thousand dollars (\$15,000).

(d) Insurers may use the same application forms for credit life insurance whether or not underwriting questions are asked pursuant to subsection (c). The commissioner will presume that any application form for which all relevant underwriting questions have been left unanswered represents a policy that has not been underwritten and for which prima facie rates are permissible. A form for which any relevant underwriting questions have been answered or filled in represents a policy for which premium decreases pursuant to subsection (c) are required. Insurers should maintain in their files their rules for those circumstances where underwriting questions shall be asked. Those rules shall be communicated to and followed by the insurer's agents and producers. (*Department of Insurance; 760 IAC 1-5.1-6; filed Sep 9, 2002, 3:00 p.m.: 26 IR 22, eff Jan 1, 2003*)

760 IAC 1-5.1-7 Credit accident and health insurance rates

Authority: IC 27-1-3-7; IC 27-8-4-12

Affected: IC 24-4.5-4-102

Sec. 7. (a) Subject to the conditions and requirements in subsection (b) and section 10 of this rule, the following prima facie rates are considered to meet the requirements of section 4 of this rule, and may be used without filing additional actuarial support:

(1) If premiums are payable on a single-premium basis for the duration of the coverage, the prima facie rate per one hundred dollars (\$100) of initial insured debt for single accident and health is as set forth in the following table and rates for monthly periods other than those listed shall be interpolated or extrapolated:

Original Number of Equal Monthly Installments	14 Day Retroactive Policy	14 Day Nonretroactive Policies	30 Day Retroactive Policies	30 Day Nonretroactive Policies
6	1.54	1.01	1.04	0.79
12	2.04	1.42	1.40	1.05
24	2.73	1.97	1.97	1.37
36	3.35	2.57	2.53	1.83
48	3.71	2.93	2.89	2.16
60	4.00	3.22	3.19	2.44
72	4.27	3.47	3.45	2.69
84	4.49	3.71	3.68	2.93
96	4.71	3.93	3.89	3.15
108	4.92	4.13	4.10	3.36
120	5.12	4.32	4.29	3.55

(2) If premiums are paid on the basis of a premium rate per month per thousand of outstanding insured gross debt, these premiums shall be computed according to the following formula or according to a formula approved by the commissioner, that produces rates actuarially consistent with the single premium rates in subdivision (1):

$$OP_n = \frac{10SP_n}{\left\{ \sum_{t=1}^n \frac{(v^t - 1) \times (n - t + 1)}{n} \right\}}$$

$$v = \frac{1}{1 + (dis)}$$

Where: SP_n = Single premium rate per one hundred dollars (\$100) of initial insured debt repayable in n equal monthly installments as shown in subdivision (1).

OP_n = Monthly outstanding balance premium rate per one thousand dollars (\$1,000).

n = The number of months in the term of the insurance.

dis = 0.0041, representing an annual discount rate of five percent (5.0%) for interest.

(3) If the coverage provided is a constant maximum indemnity for a given period of time, the actuarial equivalent of subdivisions (1) and (2) shall be used.

(4) If the coverage provided is a combination of a constant maximum indemnity for a given period of time after which the maximum indemnity begins to decrease in even amounts per month, an appropriate combination of the premium rate for a constant maximum indemnity for a given period of time, and the premium rate for a maximum indemnity that decreases in even amounts per month shall be used.

(5) The outstanding balance rate for credit accident and health insurance may be either a term-specified rate or may be a single composite term outstanding balance rate.

(b) Subject to the conditions and requirements in subsection (c) and section 10 of this rule, the prima facie rates for credit accident and health insurance calculated as shown in this subsection are considered to meet the requirements of section 4 of this rule in the situation where the insurance is written on an open-end loan. These prima facie rates and the formulae used to calculate them may be used without filing additional actuarial support. Other formulae to convert from a closed-end credit rate to an open-end credit rate may be used if approved by the commissioner. The following establishes the prima facie rates for credit accident and health insurance on an open-end loan:

(1) If the maximum benefit of the insurance equals the net debt on the date of disability, the term of the loan is calculated according to the following formula:

$$1/(\text{minimum payment percent}).$$

The prima facie rate is determined by applying the calculated term to the rates shown in subsection (a). A composite minimum payment percentage may be used in place of the minimum payment percentage for a specific credit transaction.

(2) If the maximum benefit of the insurance equals the outstanding balance of the loan on the date of disability plus any interest accruing on that amount during disability, the term of the insurance (n) is estimated by using the following formula:

$$n = \ln \{1 - (1000i / x)\} / \ln(v)$$

Where: **i** = Interest rate on the account or a composite interest rate used for the type of policy.

x = Monthly payment per one thousand dollars (\$1,000) of coverage consistent with the term calculated in this subdivision.

$$v = 1/(1 + i)$$

The calculated value of the term is used to look up an initial rate in subsection (a). The final prima facie rate is calculated by multiplying the initial rate by the following:

$$\text{the adjustment } n/a_n$$

Where: **n** = The term calculated as per the following equation:

$$a_n = (1 - v)^n/i$$

As an alternative to the calculation required in subsection (b) *[this subsection]*, a composite rate for open-end revolving loans may be filed for approval by the commissioner. This rate must be actuarially equivalent to the prima facie rate.

(c) If the accident and health coverage is sold on a joint basis (involving two (2) people), the rate for the joint coverage shall be filed with the commissioner prior to use.

(d) If the benefits provided are other than those described in subsection (a) or (b), rates for those benefits shall be actuarially consistent with rates provided in subsection *[sic., subsections]* (a) and (b).

(e) The premium rates in subsection (a) shall apply to contracts providing credit accident and health insurance that are offered to all eligible debtors, that do not require evidence of individual insurability from any eligible debtor electing to purchase coverage within thirty (30) days of the date the debtor becomes eligible and that contain the following provisions:

(1) Coverage for disability by whatever means caused, except that coverage may be excluded for disabilities resulting from:

(A) normal pregnancy;

(B) war or any act of war;

(C) elective surgery;

(D) intentionally self-inflicted injury;

(E) sickness or injury caused by or resulting from the use of alcoholic beverages or narcotics (including hallucinogens) unless they are administered on the advice of and taken as directed, by a licensed physician other than the insured;

(F) flight in any aircraft other than a commercial scheduled aircraft; or

(G) a preexisting condition.

(2) For the exclusion listed in subdivision (1)(G), the effective date of coverage for each part of the insurance attributable to a different advance or a charge to the plan account is the date on which the advance or charge occurs.

(3) A definition of disability providing that for the first twelve (12) months of disability, total disability shall be defined as the inability to perform the essential functions of the insured's own occupation. Thereafter, it shall mean the inability of the insured to perform the essential functions of any occupation for which he or she is reasonably suited by virtue of education, training, or experience.

(4) No employment requirement more restrictive than one requiring that the debtor be employed full time on the effective date of coverage and for at least twelve (12) consecutive months prior to the effective date of coverage. As used in this subdivision, "full time" means a regular work week of not less than thirty (30) hours.

(5) An age restriction providing that no insurance will become effective on debtors on or after the attainment of age sixty-six (66) and that all insurance will terminate upon attainment by the debtor of age sixty-six (66).

(6) A daily benefit of not less than one-thirtieth ($\frac{1}{30}$) of the monthly benefit payable under the policy.

(f) Requirements for applying rates shall be as follows:

(1) If the insurer, its agent, or the application form for credit life insurance does not request or require that the debtor provide evidence of insurability, then the premium rates deemed reasonable will be the prima facie rates in subsection (a).

(2) Except as provided in subdivision (3), if the insurer, its agent, or the application form for credit life insurance requests or requires that the debtor provide evidence of insurability and the initial amount of insurance is fifteen thousand dollars (\$15,000) or less, then the premium rates deemed reasonable will be the rates in subsection (a) multiplied by ninety percent (90%).

(3) If the insurer, its agent, or the application form for credit life insurance requests or requires that:

(A) the debtor provide evidence of insurability and the initial amount of insurance is greater than fifteen thousand dollars (\$15,000); or

(B) the applicant elects to purchase coverage more than thirty (30) days after the date the debtor became eligible under a group plan of insurance;
then the premium rates deemed reasonable will be the prima facie rates in subsection (a). For policies insuring open lines of credit, the insurer may require evidence of insurability for commitments that increase the outstanding debt above fifteen thousand dollars (\$15,000).

(g) Insurers may use the same application forms for credit accident and health insurance whether or not underwriting questions are asked pursuant to subsection (f). The commissioner will presume that any application form for which all relevant underwriting questions have been left unanswered represents a policy that has not been underwritten and for which prima facie rates are permissible. A form for which any relevant underwriting questions have been answered or filled in represents a policy for which premium decreases pursuant to subsection (f) are required. Insurers should maintain in their files their rules for those circumstances where underwriting questions shall be asked. Those rules shall be communicated to and followed by the insurer's agents or other producers. *(Department of Insurance; 760 IAC 1-5.1-7; filed Sep 9, 2002, 3:00 p.m.: 26 IR 23, eff Jan 1, 2003)*

760 IAC 1-5.1-8 Refund formulas

Authority: IC 27-1-3-7; IC 27-8-4-12

Affected: IC 24-4.5-4-102; IC 27-8-4-8

Sec. 8. (a) In the event of termination, no charge for consumer credit insurance may be made for the first fifteen (15) days of a month and a full month may be charged for sixteen (16) days or more of a month.

(b) The requirement of IC 27-8-4-8(B) that refund formulas be filed with the commissioner shall be considered fulfilled if the refund formulas are set forth in the individual policy or group certificate filed with the commissioner.

(c) Refund formulas must develop refunds that are at least as favorable to the debtor as refunds equal to the premium cost of scheduled benefits subsequent to the date of cancellation or termination, computed at the schedule of premium rates in effect on the date of issue.

(d) No refund of one dollar (\$1) or less need be made. *(Department of Insurance; 760 IAC 1-5.1-8; filed Sep 9, 2002, 3:00 p.m.: 26 IR 25, eff Jan 1, 2003)*

760 IAC 1-5.1-9 Experience reports and adjustment of prima facie rates

Authority: IC 27-1-3-7; IC 27-8-4-12

Affected: IC 24-4.5-4-102

Sec. 9. (a) Each insurer doing insurance business in this state shall annually file with the commissioner and the National Association of Insurance Commissioners (NAIC) support and services office a report of consumer credit insurance written on a calendar year basis. The report shall utilize the Credit Insurance Supplement—Annual Statement Blank as approved by the NAIC, and shall contain data separately for each state, rather than an allocation of the company's countrywide experience. The filing shall be made in accordance with and no later than the due date in the instructions to the annual statement.

(b) The commissioner will, on a triennial basis, review the loss ratio standards set forth in section 4 of this rule and the prima facie rates set forth in sections 6 and 7 of this rule and determine the rate of expected claims on a statewide basis, compare such rate of expected claims with the rate of actual claims for the preceding three (3) years determined from the incurred claims and earned premiums at prima facie rates reported in the annual statement supplement or other available source, and publish in the Indiana Register the adjusted actual statewide prima facie rates to be used by insurers during the next triennium. The rates will reflect the difference between actual claims based on experience and expected claims based on the loss ratio standards set forth in section 4 of this rule applied to the prima facie rates set forth in sections 6 and

7 of this rule. If the commissioner determines, at the conclusion of the triennial review, that the rate adjustment is *de minimus* [*sic., de minimis*], then the statewide *prima facie* rate will not be changed. The commissioner will publish a statement that the rate will not change and the results of the rate review required by this subsection.

(c) The commissioner will, on a triennial basis, review the discount rates for interest included in the formulae in sections 6(a) and 7(a) of this rule, and adjust those discount rates to equal the average of the rates being paid at that time on three (3) year United States Treasury notes as reported in the Wall Street Journal on the last day of sale in the most recent three (3) calendar years. The commissioner shall publish the revised discount rates in the Indiana Register. If the commissioner determines, at the conclusion of the triennial review, that the rate adjustment is *de minimus* [*sic., de minimis*], then the discount rate will not be changed. (*Department of Insurance; 760 IAC 1-5.1-9; filed Sep 9, 2002, 3:00 p.m.: 26 IR 25, eff Jan 1, 2003*)

760 IAC 1-5.1-10 Use of rates; direct business only

Authority: IC 27-1-3-7; IC 27-8-4-12

Affected: IC 24-4.5-4-102

Sec. 10. (a) An insurer that files rates or has rates on file that are equivalent to the *prima facie* rates shown in sections 6 and 7 of this rule, to the extent adjusted pursuant to section 9 of this rule, may use those rates without further proof of their reasonableness.

(b) An insurer may file for approval of and use rates that are higher than the *prima facie* rates shown in sections 6 and 7 of this rule, to the extent adjusted pursuant to section 9 of this rule, as long as the filed rates are consistent with section 4 of this rule. If rates higher than the *prima facie* rates shown in sections 6 and 7 of this rule, to the extent adjusted pursuant to section 9 of this rule, are filed for approval, the filing shall specify the account or accounts to which the rates apply. The rates may be applied:

- (1) uniformly to all accounts of the insurer;
- (2) on an equitable basis approved by the commissioner to only one (1) or more accounts of the insurer for which the experience has been less favorable than expected; or
- (3) according to a case-rating procedure on file with the commissioner.

(c) The approval period of deviated rates are established as follows:

- (1) A deviated rate will be in effect for a period of time not longer than the experience period used to establish the rate, that is, one (1) year, two (2) years, or three (3) years. An insurer may file for a new rate before the end of a rate period, but not more often than once during any twelve (12) month period.
- (2) Notwithstanding the provision of subsection (a), if an account changes insurers, the rate approved to be used for the account by the prior insurer is the maximum rate that may be used by the succeeding insurer for the remainder of the rate approval period approved for the prior insurer or until a new rate is approved for use on the account, if sooner.

(d) An insurer may at any time use a rate for an account that is lower than its filed rate without notice to the commissioner. (*Department of Insurance; 760 IAC 1-5.1-10; filed Sep 9, 2002, 3:00 p.m.: 26 IR 26, eff Jan 1, 2003*)

760 IAC 1-5.1-11 Supervision of consumer credit insurance operations

Authority: IC 27-1-3-7; IC 27-8-4-12

Affected: IC 24-4.5-4-102

Sec. 11. (a) Each insurer transacting credit insurance in this state shall be responsible for conducting a thorough periodic review of creditors with respect to their credit insurance business with such creditors, to assure compliance with the insurance laws of this state and the rules promulgated by the commissioner.

(b) Written records of such reviews shall be maintained by the insurer for a period of no less than five (5)

years for review by the commissioner. (*Department of Insurance; 760 IAC 1-5.1-11; filed Sep 9, 2002, 3:00 p.m.: 26 IR 26, eff Jan 1, 2003*)

760 IAC 1-5.1-12 Prohibited transactions

Authority: IC 27-1-3-7; IC 27-8-4-12

Affected: IC 24-4.5-4-102; IC 27-4-1

Sec. 12. The following practices, when engaged in by insurers in connection with the sale or placement of consumer credit insurance, or as an inducement thereto, shall be considered unfair methods of competition subject to the provisions of IC 27-4-1:

(1) The offer or grant by an insurer to a creditor of any special advantage or any service not set out in either the group insurance contract or in the agency contract, other than the payment of agent's commissions.

(2) Deposit by an insurer of money or securities without interest or at a lesser rate of interest than is currently being paid by the creditor, bank, or financial institution to other depositors of like amounts for similar durations. This subsection shall not be construed to prohibit the maintenance by an insurer of such demand deposits or premium deposit accounts as are reasonably necessary for use in the ordinary course of the insurer's business.

(*Department of Insurance; 760 IAC 1-5.1-12; filed Sep 9, 2002, 3:00 p.m.: 26 IR 26, eff Jan 1, 2003*)

760 IAC 1-5.1-13 Implementation

Authority: IC 27-1-3-7; IC 27-8-4-12

Affected: IC 24-4.5-4-102

Sec. 13. (a) Approval of all forms and premium rates not in compliance with this rule is hereby withdrawn as of January 1, 2003.

(b) Any deviations thought to be appropriate by an insurer as a result of promulgation of this rule shall be filed in accordance with the provisions of section 10 of this rule no later than October 1, 2002.

(*Department of Insurance; 760 IAC 1-5.1-13; filed Sep 9, 2002, 3:00 p.m.: 26 IR 26*)

SECTION 2. THE FOLLOWING ARE REPEALED: 760 IAC 1-5; 760 IAC 1-14.

SECTION 3. SECTION 1, 760 IAC 1-5.1-1 through 760 IAC 1-5.1-12, takes effect January 1, 2003.

LSA Document #01-399(F)

Notice of Intent Published: 25 IR 833

Proposed Rule Published: May 1, 2002; 25 IR 2575

Hearing Held: June 13, 2002

Approved by Attorney General: September 6, 2002

Approved by Governor: September 6, 2002

Filed with Secretary of State: September 9, 2002, 3:00 p.m.

Incorporated Documents Filed with Secretary of State: None