Indiana Department of Insurance
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Bulletin 262

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 not less than 55% is regarded as reasonable. 760 IAC 1-5.1-1 *et seq.* (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 the Rule were effective January 1, 2003, and rates were last reviewed in 2018 (see Bulletin 246). With the conclusion of the calendar year 2020 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 2018, 2019, and 2020 are listed below:

Calendar Year	3 Year Treasury Rate
2018	2.46
2019	1.62
2020	0.17
Average for 3 years	1.42

Based upon this information the discount rate would decrease from the prior analysis, which produced an average of 1.59%.

Conclusion

The discount rates to be used are 1.82% for life and 1.42% 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
2018	54.7
2019	59.4
2020	64.5
Aggregate for 3 years	59.6

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

Calendar Year	Loss Ratio
2018	62.3
2019	59.3
2020	66.6
Aggregate for 3 years	62.7

The loss ratio for credit life has been above 55%; therefore, an increase of 14% to the prima facie rate is indicated.

Conclusion

Based on the above information, the Commissioner has determined that, pursuant to the Rule, the aggregate rate adjustment indicated for life prima facie is 14%. The credit life prima facie rates for monthly outstanding balance basis are therefore increased to:

1) Eighty-one cents ($0.81) per month per one thousand dollars ($1,000) of outstanding insured debt on single life, and
2) One dollar and thirty-five ($1.35) 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
2018	46.0
2019	49.5
2020	42.8
Aggregate for 3 years	46.1

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

Calendar Year	Loss Ratio
2018	54.2
2019	53.3
2020	54.4
Aggregate for 3 years	53.9

While this loss ratio is below the statutory target of 55%, the indicated reduction to the rates would only be 2%.

Conclusion

Based on the above information, Commissioner has determined that, pursuant to the Rule, the aggregate rate adjustment indicated is de minimis. Thus, the rates below remain unchanged from those established by Bulletin 246. The credit accident and health prima facie rates are single premium rates based on type of coverage (14-day retroactive and non-retroactive and 30-day retroactive and non-retroactive) and length of loan.

Original Number of Equal Monthly Installments	14-Day Retroactive Policies	14-Day Nonretroactive Policies	30-Day Retroactive Policies	30-Day Nonretroactive Policies
6	1.12	0.73	0.76	0.57
12	1.50	1.05	1.03	0.77
24	2.01	1.45	1.45	1.01
36	2.48	1.90	1.88	1.36
48	2.76	2.18	2.15	1.62
60	3.00	2.41	2.39	1.83
72	3.22	2.62	2.60	2.02
84	3.41	2.81	2.79	2.23
96	3.59	3.00	2.97	2.41
108	3.78	3.17	3.15	2.58
120	3.95	3.33	3.32	2.75

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 web site at www.in.gov/idoi.

Questions regarding this Bulletin should be directed to Compliance@idoi.in.gov.

INDIANA DEPARTMENT OF INSURANCE

Amy L. Beard,
Insurance Commissioner