ADOPTED REGULATION OF

THE COMMISSIONER OF INSURANCE

LCB File No. R131-05

Effective October 31, 2005

EXPLANATION – Matter in ***italics*** is new; matter in brackets **[~~omitted material~~]** is material to be omitted.

AUTHORITY: §§1-4 and 8, NRS 679B.130 and sections 110, 110.7 and 114 of Assembly Bill No. 338 of the 73rd Session of the Nevada Legislature, chapter 456, Statutes of Nevada 2005, at pages 2142 and 2143 (NRS 690A.093, 690A.097 and 690A.277); §5, NRS 679B.130 and sections 110.7 and 114 of Assembly Bill No. 338 of the 73rd Session of the Nevada Legislature, chapter 456, Statutes of Nevada 2005, at pages 2142 and 2143; §§6, 7 and 9, NRS 679B.130 and section 114 of Assembly Bill No. 338 of the 73rd Session of the Nevada Legislature, chapter 456, Statutes of Nevada 2005, at page 2143 (NRS 690A.277).

A REGULATION relating to insurance; providing rates, policy and operating standards for consumer credit insurance; setting the amount of unearned premium that must be refunded to a debtor upon cancellation of a policy of consumer credit insurance; requiring certain disclosures before issuance of a policy of consumer credit insurance; and providing other matters properly relating thereto.

Section 1. Chapter 690A of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 8, inclusive of this regulation.

Sec. 2. ***As used in this chapter, unless the context otherwise requires, "full time" means a workweek of 30 hours or more.***

Sec. 3. ***1. If a debtor is covered by a group policy of consumer credit insurance that requires the payment of single premiums to the insurer, or any other premium payment method that prepays coverage beyond 1 month, the insurer shall provide that in the event of termination of the policy for any reason, insurance coverage with respect to any debtor insured under the policy continues for the entire period for which the premium has been paid.***

2. If a debt that is covered by a policy of consumer credit insurance is refinanced, the effective date of the coverage by any provision of the policy shall be deemed to be the first date on which the debtor became insured under the policy with respect to the debt which was refinanced, at least to the extent of the amount and term of the debt outstanding at the time the debt was refinanced.

3. If a debt is prepaid in full as the result of death or any other lump-sum payment under a policy of consumer credit insurance:

(a) No refund of a premium paid by the debtor for coverage of the debt is required.

(b) If a claim under credit accident and health coverage or credit unemployment coverage is in progress at the time of prepayment, the refund of a premium paid by the debtor may be determined as if the prepayment did not occur until the payment of benefits terminates.

(c) No refund of a premium paid by a debtor is required for any period of disability for which credit accident and health benefits are payable or during any period of unemployment for which credit unemployment benefits are payable. A refund of a premium paid by a debtor must be computed as if prepayment occurred at the end of the period of disability or unemployment.

Sec. 4. *1. Credit unemployment insurance policies must contain benefits at least as favorable to insureds as the following provisions:*

(a) A provision for coverage for unemployment for any reason, except that coverage may be excluded for:

(1) Voluntary forfeiture of salary, wage or other employment income;

(2) Resignation;

(3) Retirement;

(4) General strike;

(5) Illegal walk out;

(6) War;

(7) Separation from the military;

(8) Willful misconduct or criminal misconduct or unlawful behavior; and

(9) Disability caused by injury, illness or pregnancy.

(b) For credit unemployment insurance which provides for a monthly benefit in the event of unemployment, a provision that benefits will be payable after a waiting period of not longer than 30 days, but need not be retroactive to the first day of unemployment, and that the maximum benefit period is 6 months or longer.

2. Credit unemployment insurance policies may not contain eligibility requirements more restrictive than the following provisions:

(a) Exclusion of the following persons from qualification for coverage:

(1) Self-employed individuals;

(2) Workers in seasonal or temporary jobs, defined as jobs designed to last not longer than 6 months; and

(3) Debtors who have been notified either orally or in writing of any layoff or employment termination immediately or within 60 days after such notification. This exclusion must be disclosed to all prospective insureds.

(b) A requirement that the debtor be employed full time on the effective date of coverage and for at least 12 consecutive months before the effective date of coverage.

Sec. 5. *A person is entitled to a refund of any unearned premium of $5 or more if his policy or contract is cancelled for any reason, other than death or any other lump-sum* *payment, before the scheduled date of termination. A contract is considered fulfilled if a lump-sum payment has been made and there are no unearned premiums.*

Sec. 6. *Before a debtor elects to purchase consumer credit insurance in connection with a credit transaction, the information found in the form NDOI-915, as specified in subsection 2 of section 7 of this regulation, must be disclosed to the debtor in writing. The insurer is not required to file the form he uses for this disclosure with the Commissioner for approval if:*

1. The insurer elects to use from NDOI-915 and notifies the Commissioner of its use; or

2. If an officer of the insurer submits a written certification to the Commissioner that the forms used by the insurer are identical to form NDOI-915.

Sec. 7. *1. Except as otherwise provided in section 6 of this regulation, an insurer that issues a policy of consumer credit insurance must disclose the limitations set forth in subsection 2 in the manner set forth in subsection 2.*

2. The form of the disclosure statement shall be deemed approved by the Commissioner if it is written as follows:

CONSUMER CREDIT DISCLOSURE FORM

NDOI-915

1. *The purchase of consumer credit insurance from the creditor is not mandatory and is not a condition for obtaining credit approval;*
2. *If more than one type of consumer credit insurance is made available to you, your creditor will advise you that you may purchase each separately or only as a package;*
3. *Please refer to your certificate of coverage for the specific information regarding the conditions of eligibility;*

4. If you have other insurance that covers the risk. you may not want or need consumer credit insurance;

5. You may cancel the insurance at any time, or if evidence of insurance is required for the extension of credit, upon proof of insurance that is acceptable to the creditor, and obtain a refund of or credit for:

(a) If the cancellation is not more than 30 days after you receive the individual policy or certificate of insurance, any premium paid by you; or

(b) If the cancellation is more than 30 days after you receive the individual policy or certificate of insurance, any unearned premium paid by you;

6. Please refer to your certificate of coverage for the specific information regarding these items: a description of the coverage, including a description of the amount, term, exceptions, limitations and exclusions, the insured event, any waiting or elimination period, any deductible, any applicable waiver of premium, the person who would receive any benefits, and the premium or premium rate for the consumer credit insurance; and

7. If the premium or insurance charge is financed, it will be subject to finance charges at the rate applicable to the credit transaction.

Sec. 8. *Except as otherwise provided in this section, any rate, including, without limitation, any gross rate, filed with and approved by the Commissioner before October 1, 2005, shall be deemed reasonable if, before October 1, 2005, the insurer certified that the rate is in compliance with NRS 686B.050 and 686B.060. A rate deemed reasonable pursuant to this*

section shall continue to be deemed reasonable until not later than April 15, 2006, by which date a new rate must be filed with and approved by the Commissioner which:

1. Is reasonable in relation to the benefits provided; and

2. Is not excessive, inadequate or unfairly discriminatory.

Sec. 9. 1. This regulation becomes effective on October 31, 2005.

2. Section 8 of this regulation expires by limitation on April 16, 2006.

NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB File No. R131-05

The Commissioner of Insurance adopted regulations assigned LCB File No. R131-05 which pertain to chapter 690A of the Nevada Administrative Code on September 29, 2005

Notice date: 8/22/2005
Hearing date: 9/26/2005
Date of adoption by agency: 9/29/2005
Filing date: 10/31/2005

INFORMATIONAL STATEMENT

A hearing was held on September 26, 2005, at the offices of the Department of Business and Industry, Division of Insurance (Division), 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, with a simultaneous video-conference conducted at the Bradley Building, 2501 E. Sahara Avenue, Manufactured Housing Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104, regarding the adoption of the regulation concerning consumer credit insurance.

Public comment was solicited by posting notice of the hearing in the following public locations: 788 Fairview Drive, Legislative Counsel Bureau, Capitol Building Lobby, Blasdel Building, Carson City Courthouse, State Library, Clark County Library, Capitol Press Room and the Division's Las Vegas Office.

The Division maintains a list of interested parties, comprised mainly of insurance companies, agencies and other persons regulated by the Division. These persons were notified of the hearing and that copies of the regulation could be obtained from or examined at the offices of the Division in Carson City.

The hearing was attended by 27 individuals. Oral testimony was provided by Jack Childress, representing the Division; and Harry Bassett, representing Assurant Solutions. Written testimony, in the form of suggested changes, was provided by Larry Diehl, Esq. of the Consumer Credit Insurance Association, and Paul Basile of Assurant Solutions.

There were several revisions recommended and made to the Proposed Regulation, LCB File No. R131-05, dated September 21, 2005. A revised version of the regulation is attached. The revisions pertain to the removal of all rate sections, clarification of the word “cancelled” in section 15, technical changes and effective date language changes. The Commissioner has issued an order adopting the regulation, as revised, pursuant to the workshop and hearing, as a permanent regulation of the Division.

Based upon the testimony received at the hearing, the proposed regulation is revised as follows:

1. Section 12 has been deleted as follows:

[Sec. 12. 1. Except as otherwise provided in subsection 2 and section 16 of this regulation, the following formula and rates are the prima facie rates for credit life insurance:

(a) For a premium that is assessed on a monthly outstanding balance basis, 65 cents per month per $1,000 of outstanding insured debt on single life insurance and $1 per month per $1,000 of outstanding insured debt on joint life insurance.

(b) For a premium that is assessed on a single premium basis, the premium rate must be calculated according to the following formula or according to a formula approved by the Commissioner which produces rates substantially the same as those produced by the following formula:

$$S_p = \sum_{t=1}^{n} \left(\frac{O_p}{10} x \frac{I_t}{I_i} \right)$$

where

S_p = Single premium per $100 of initial consumer credit life insurance coverage.

O_p = 65 cents or $1, the prima facie consumer credit life insurance premium rate set forth in paragraph (a).

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.

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

(c) If the benefits provided under a policy of credit life insurance are other than those described in this subsection, the premium rates for such benefits must be actuarially consistent with the rates set forth in paragraphs (a) and (b).

2. Each contract for credit life insurance must, in substance, provide:

(a) Coverage for death, except that coverage may exclude:

(1) Death that results from a war or act of war;

(2) Death that results from suicide within 2 years after the effective date of the coverage; or

(3) Death that is caused by or substantially contributed to by a preexisting condition and which occurs within 6 months after the effective date of coverage.

(b) For the exclusions set forth in paragraph (a), that the effective date of coverage for each part of the insurance attributable to a different advance or charge to the plan account is the date on which the advance or charge occurs.

(c) That no insurance will become effective on debtors on or after the debtor attains 66 years of age and that all insurance will terminate at the time the debtor attains 70 years of age.**]**

2. Section 13 has been deleted as follows:

[Sec. 13. 1. Except as otherwise provided in section 16 of this regulation, the following formula and rates are the prima facie rates for credit accident and health insurance:

(a) For a premium that is assessed on a single-premium basis:

Term of Loan in Months	Prospective Benefits		Retroactive Benefits		
	14-Day	30-Day	7-Day	14-Day	30-Day
1 to 12	.61	0.35	1.30	.95	.74
13 to 24	.95	0.69	1.73	1.30	1.08
25 to 36	1.30	1.04	2.17	1.65	1.43
37 to 48	1.52	1.26	2.60	1.86	1.65
49 to 60	1.69	1.43	3.04	2.04	1.82
61 to 72	1.86	1.60	3.47	2.21	1.99
73 to 84	2.04	1.78	3.90	2.38	2.17
85 to 96	2.21	1.95	4.34	2.56	2.34
97 to 108	2.38	2.12	4.77	2.73	2.52
109 to 120	2.56	2.30	5.20	2.91	2.69
121 to 132	2.73	2.47	5.64	3.08	2.86
133 to 144	2.91	2.65	6.07	3.25	3.04
145 to 156	3.08	2.82	6.50	3.43	3.21
157 to 168	3.25	2.99	6.94	3.60	3.43
169 to 180	3.43	3.08	7.37	3.82	3.60

These rates are for $100 of initial insured debt. Rates for monthly periods other than those set forth in the table above must be interpolated or extrapolated. As used in this paragraph:

(1) "Prospective" refers to a method of paying benefits for credit accident and health insurance in which the benefits are payable only after the person has been disabled a minimum number of days as designated in the contract of insurance.

(2) "Retroactive" refers to a method of paying benefits for credit accident and health insurance in which the benefits are paid from the date the disability occurs but only after the person has been disabled a minimum number of days as designated in the contract of insurance.

(b) For a premium that is assessed on a monthly basis per $1000 of outstanding insured gross debt, the premium rate must be calculated according to the following formula or according to a formula approved by the Commissioner which produces rates actuarially consistent with the single premium rates set forth in paragraph (a):

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

where

SP_n = Single premium rate per $100 of initial insured debt repayable in n equal monthly installments as set forth in paragraph (a).

OP_n = Monthly outstanding balance premium rate per $1,000.

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

(c) If the coverage provided by the policy is a constant maximum indemnity for a specified period, the actuarial equivalent of paragraph (a) or (b) must be used to calculate premium rates.

(d) If the coverage provided by the policy is a combination of a constant maximum indemnity for a specified period, after which the maximum indemnity begins to decrease in even amounts on a monthly basis, an appropriate combination of the premium rate for a constant maximum indemnity for a specified period and the premium rate for a maximum indemnity which decreases in even amounts on a monthly basis must be used to calculate premium rates.

(e) For an outstanding balance rate, the premium rate may be either a term-specified rate or may be a single composite term outstanding balance rate.

2. Except as otherwise provided in subsection 3, the formulae and rates set forth below are the prima facie rates for credit accident and health insurance for a policy that is written on an open-end loan:

(a) 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 formula:

1/(minimum payment percent)

The rate is determined by applying the calculated term to the rates set forth in subsection 1. A composite minimum payment percentage may be used in place of the minimum payment percentage for a specific credit transaction.

(b) 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 calculated 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 $1000 of coverage consistent with the term calculated according to the formula set forth above.

v = 1/(1 + i).

The calculated value of the term is used to look up an initial rate in subsection 1. The final prima facie rate is calculated by multiplying the initial rate by the adjustment:

$$\frac{n}{a_n}$$

where

n is the term calculated above.

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

(c) If approved by the Commissioner, other formulae to convert from a closed-end credit rate to an open-end credit rate may be used to calculate premium rates.

3. If the accident and health coverage is sold on a joint basis, the rate for the joint coverage must be calculated by multiplying the corresponding single coverage rate by 1.54.

4. If the benefits provided are other than those described in subsection 1 or 2, premium rates for those benefits must be actuarially consistent with the rates set forth in those subsections.

5. The premium rates set forth in subsection 1 apply to each contract for credit accident and health insurance offered to eligible persons. Such contracts may not contain an employment requirement more restrictive than one requiring that the debtor be employed full time on the effective date of coverage and for at least 12 consecutive months before the effective date of coverage. Such a contract must, in substance, provide:

(a) Coverage for disability, except that coverage may be excluded for disabilities resulting from:

(1) Normal pregnancy;

(2) War or any act of war;

(3) Elective surgery;

(4) Intentionally self-inflicted injury;

(5) Illness or injury caused by or resulting from the use of alcoholic beverages or narcotics unless administered on the advice of and taken as directed by a licensed physician other than the insured;

(6) Flight in any aircraft other than on a commercially scheduled flight; and

(7) A preexisting condition.

(b) For the exclusions set forth in subparagraph (7) of paragraph (a) of subsection 5, that the effective date of coverage for each part of the insurance attributable to a different advance or charge to the plan account is the date on which the advance or charge occurs.

(c) A definition of disability such that for the first 12 months of disability, total disability is defined as the inability to perform the essential functions of the insured's own occupation and thereafter, the inability of the insured to perform the essential functions of any occupation for which the insured is reasonably suited by virtue of education, training or experience.

(d) That no insurance may become effective on debtors on or after the debtor attains 66 years of age, and that all insurance will terminate at the time the debtor attains 70 years of age.

(e) A daily benefit of not less than one-thirtieth of the monthly benefit payable under the policy.**]**

3. Section 14 has been renumbered as section 12; subsection 1 of section 12 has been deleted; subsections 2 and 3 of section 12 have been renumbered as subsections 1 and 2, respectively; and paragraph (c) of subsection 2 of section 12 has been deleted as follows:

Sec. **12[**14**]**. **[**1. Each insurer filing premium rates for credit unemployment insurance shall include in its rate filing with the Commissioner the appropriate formula upon which its rates are based. Rates will be presumed reasonable if they do not exceed $1.10 for $100 of insurance per annum, paid on a single premium basis.**]**

1[2**].** Credit unemployment insurance policies must contain benefits at least as favorable to insureds as the following provisions:

(a) A provision for coverage for unemployment for any reason, except that coverage may be excluded for:

(1) Voluntary forfeiture of salary, wage or other employment income;

(2) Resignation;

(3) Retirement;

(4) General strike;

(5) Illegal walk out;

(6) War;

(7) Separation from the military;

(8) Willful misconduct or criminal misconduct or unlawful behavior; and

(9) Disability caused by injury, illness or pregnancy.

(b) For credit unemployment insurance which provides for a monthly benefit in the event of unemployment, a provision that benefits will be payable after a waiting period of not longer than 30 days, but need not be retroactive to the first day of unemployment, and that the maximum benefit period is 6 months or longer.

2[3**].** Credit unemployment insurance policies may not contain eligibility requirements more restrictive than the following provisions:

(a) Exclusion of the following persons from qualification for coverage:

(1) Self-employed individuals;

(2) Workers in seasonal or temporary jobs, defined as jobs designed to last not longer than 6 months; and

(3) Debtors who have been notified either orally or in writing of any layoff or employment termination immediately or within 60 days after such notification. This exclusion must be disclosed to all prospective insureds.

(b) A requirement that the debtor be employed full time on the effective date of coverage and for at least 12 consecutive months before the effective date of coverage.

[(c) No insurance will become effective on debtors on or after the attainment of the age of 66 years, and all insurance will terminate upon attainment by the debtor of the age of 70 years.**]**

4. Section 15 has been renumbered as section 13 and has been amended to read as follows:

Sec. **13[**15**].** A person is entitled to a refund of any unearned premium of $5 or more if his policy or contract is cancelled for any reason***, other than death or any other lump-sum payment,*** before the scheduled date of termination. ***A contract is considered fulfilled if a lump-sum payment has been made and there are no unearned premiums.***

5. Section 16 has been deleted as follows:

[Sec. 16. 1. An insurer may file for approval by the Commissioner a schedule of rates that are higher than the prima facie rates set forth in sections 12 and 13 of this regulation if the rates filed are reasonable in relation to the premium charged. If a schedule of rates higher than the prima facie rates set forth in sections 12 and 13 of this regulation is filed for approval, the filing must specify the account or accounts to which the schedule applies. The schedule of rates must be:

(a) Applied uniformly to all accounts of the insurer;

(b) Applied on an equitable basis approved by the Commissioner to one or more accounts of the insurer for which the experience has been less favorable than expected; or

(c) Applied according to a case-rating procedure on file with the Commissioner.

2. A rate approved by the Commissioner pursuant to subsection 1 may be in effect for a period not longer than the experience period used to establish the rate. An insurer may file for a new rate before the end of a rate period, but not more often than once during any 12-month period.

3. Notwithstanding the provisions of subsection 1, 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 period approved for the prior insurer or until a new rate is approved for use on the account, if sooner.

4. An insurer may at any time use a rate for an account that is lower than its filed rate without notice to the Commissioner.**]**

6. A new section 14 has been added and reads as follows:

Sec. 14. 1. Before a debtor elects to purchase consumer credit insurance in connection with a credit transaction, the information found in the form NDOI-915, as specified in subsection 2 of section 15, must be disclosed to the debtor in writing. The insurer is not required to file the form with the Commissioner for approval if:

(a) An issuer elects to use form NDOI-915 and notifies the Commissioner of its use; or

(b) If an officer of the insurer submits a written certification to the Commissioner that the forms used by the insurer are identical to form NDOI-915.

7. A new section 15 has been added and reads as follows:

Sec. 15. 1. Except as otherwise provided in subsection 2 of section 14, an insurer that issues a consumer credit insurance policy must disclose those limitations in the manner set forth in subsection 2.

2. The statement shall be deemed approved by the Commissioner if it is written as follows:

CONSUMER CREDIT DISCLOSURE FORM
NDOI-915

1. ***The purchase of consumer credit insurance from the creditor is not mandatory and is not a condition for obtaining credit approval;***

2. ***If more than one type of consumer credit insurance is made available to you, your creditor will advise you that you may purchase each separately or only as a package;***

3. ***Please refer to your certificate of coverage for the specific information regarding the conditions of eligibility;***

4. ***If you have other insurance that covers the risk, you may not want or need consumer credit insurance;***

5. ***You may cancel the insurance at any time, or if evidence of insurance is required for the extension of credit, upon proof of insurance that is acceptable to the creditor, and obtain a refund of or credit for:***
   (a) If the cancellation is not more than 30 days after you receive the individual policy or certificate of insurance, any premium paid by you; or
   (b) If the cancellation is more than 30 days after you receive the individual policy or certificate of insurance, any unearned premium paid by you;

6. ***Please refer to your certificate of coverage for the specific information regarding these items: a description of the coverage, including a description of the amount, term, exceptions, limitations and exclusions, the insured event, any waiting or elimination period, any deductible, any applicable waiver of premium, the person who would receive***

any benefits, and the premium or premium rate for the consumer credit insurance; and

7. ***If the premium or insurance charge is financed, it will be subject to finance charges at the rate applicable to the credit transaction.***

8. A new section 16 has been added and reads as follows:

Sec. 16. Any rate, including gross rates, filed with and approved by the Commissioner before October 1, 2005 shall be deemed reasonable until and unless:

1. The insurer does not certify they are in compliance with NRS 686B.050 and NRS 686B.060 by October 1, 2005; and

2. April 15, 2006, upon which time, new rates must be filed and approved which are reasonable in relation to the benefits provided; and are not excessive, inadequate or unfairly discriminatory.

The economic impact of the regulation is as follows:

(a) On the business it is to regulate: The proposed regulation would require a minimal additional cost to the consumer credit insurer to file forms and rates for approval by the Commissioner.

(b) On the public: The proposed will potentially protect consumers in the purchase of consumer credit insurance by the regulation of reasonable costs in relation to the protection provided.

The Division will incur some additional expense to enforce the proposed regulation that cannot be measured at this time. This additional expense is expected to be minimal.

The Division is not aware of any overlap or duplication of the regulation with any state, local or federal regulation.