REVISED ADOPTED REGULATION OF THE

COMMISSIONER OF INSURANCE

LCB File No. R014-06

Effective April 1, 2007

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

AUTHORITY: §§1-7 and 14-19; NRS 679B.130 and 690A.277; §§8-13, NRS 679B.130, 690A.093 and 690A.277.

A REGULATION relating to insurance; establishing the rates and requirements for policies of credit insurance; establishing methods for determining the amount of the unearned premium that must be refunded to a debtor upon the cancellation of a policy of 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 17, inclusive, of this regulation.

Sec. 2. ***As used in this chapter, unless the context otherwise requires, the words and terms defined in sections 3 to 7, inclusive, of this regulation have the meanings ascribed to them in those sections.***

Sec. 3. ***"Actuarially consistent" means the present value of two patterns of cash flow that when measured using the same assumptions are approximately equivalent.***

Sec. 4. ***"Indebtedness" means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction and includes the finance charge that is or will be assigned to the transaction.***

Sec. 5. ***"Outstanding balance basis" means premiums that are paid monthly using a rate per $1,000 of monthly outstanding insured indebtedness.***

Sec. 6. ***"Prima facie rate" means a rate that is deemed to be reasonable in relation to the benefits provided for credit insurance and may be used without filing additional actuarial information with the Commissioner.***

Sec. 7. ***"Single premium basis" means the present value of the monthly premiums that are charged over the term of a policy.***

Sec. 8. ***1. Except as otherwise provided in subsection 4 of section 14 of this regulation, the prima facie rate for credit life insurance shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner if the rate complies with the provisions of this section.***

2. If the premium for credit life insurance is charged on a single premium basis and the premium is based on a premium rate per $100 per annum of actual or scheduled net debt, the premiums must be calculated according to the formula set forth in this subsection or according to a formula approved by the Commissioner that produces a rate that is actuarially consistent with the rates set forth in this section:

$$NSP_{n,t} = (0.94/13) X (t - a_n + a_{n-t})/(i X a_n)$$

Where:

"$NSP_{n,t}$" = Single premium net balance rate per $100 of initial insured indebtedness for "t" months.

"n" = Term of loan.

"t" = Term of insurance.

"i" = Monthly interest rate.

"a_n"= Present value of an annuity immediate of $1 for a period of "n" months at interest rate "i."

"a_{n-t}" = Present value of an annuity immediate of $1 for a period of "n-t" months at interest rate "i."

3. For single credit life insurance, if the premium is charged on a monthly outstanding balance basis, the rate must be 75 cents per month per $1,000 of outstanding insured indebtedness.

4. If credit life insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.54.

5. For dismemberment insurance, if the premium is charged on:

(a) A single premium basis, the rate must be 5 cents per $100 of insurance per annum for single life insurance and 10 cents per $100 of insurance per annum for joint life insurance.

(b) A monthly outstanding balance basis, the rate must be 8 cents per month per $1,000 of outstanding insured indebtedness on single life insurance and 16 cents per month per $1,000 of outstanding insured indebtedness on joint life insurance.

6. If the benefits provided are different from the benefits described in this section, the premium rates for those benefits must be actuarially consistent with the rates set forth in subsections 2 to 5, inclusive, and must be approved by the Commissioner before those rates may be used.

7. The rates in this section may be used only if the coverage issued in conjunction with those rates does not include an exception for a preexisting condition. If the coverage includes an exception for a preexisting condition as specified in section 12 of this regulation, an

insurer may file for approval for lower rates in the manner prescribed in section 14 of this regulation.

8. The rates set forth in this section apply to a policy of credit life insurance that is offered to a debtor if the policy includes:

(a) Coverage for death caused by any means, except that coverage may exclude death resulting from:

(1) War or any act of war; or

(2) Suicide within 2 years after the effective date of the coverage.

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

(c) A provision that prohibits coverage from becoming effective after the debtor attains:

(1) The age of 66 years and requires that all insurance for the debtor will terminate when the debtor attains the age of 70 years; or

(2) The age of 68 years and requires that all insurance for the debtor will terminate when the debtor attains the age of 72 years. If such a provision is included, prima facie rates for credit life insurance may be increased by 5.9 percent and shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.

9. As used in this section:

(a) "Joint life insurance" means credit life insurance issued to two debtors who are jointly and severally liable for the indebtedness.

(b) "Single life insurance" means credit life insurance issued to one debtor who is liable for the indebtedness.

Sec. 9. ***1. Except as otherwise provided in section 14 of this regulation, a prima facie rate for credit accident and health insurance shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner if the prima facie rate complies with the provisions of this section.***

2. If the premium is charged on a single premium basis, the prima facie rate per $100 of initial insured debt for credit accident and health insurance must comply with the provisions of this subsection. Rates for monthly periods that are different from the rates set forth in this subsection must be interpolated or extrapolated.

Term of Loan in Months	*Prospective Benefits*		*Retroactive Benefits*		
	14-Day	*30-Day*	*7-Day*	*14-Day*	*30-Day*
1 to 12	*0.96*	*0.55*	*2.06*	*1.51*	*1.17*
13 to 24	*1.51*	*1.10*	*2.75*	*2.06*	*1.72*
25 to 36	*2.06*	*1.65*	*3.44*	*2.61*	*2.27*
37 to 48	*2.40*	*1.99*	*4.12*	*2.95*	*2.61*
49 to 60	*2.68*	*2.27*	*4.81*	*3.23*	*2.89*
61 to 72	*2.95*	*2.54*	*5.50*	*3.50*	*3.16*
73 to 84	*3.23*	*2.82*	*6.18*	*3.78*	*3.44*

Term of Loan in Months	*Prospective Benefits*		*Retroactive Benefits*		
	14-Day	*30-Day*	*7-Day*	*14-Day*	*30-Day*
85 to 96	*3.50*	*3.09*	*6.87*	*4.05*	*3.71*
97 to 108	*3.78*	*3.37*	*7.56*	*4.33*	*3.98*
109 to 120	*4.05*	*3.64*	*8.24*	*4.60*	*4.26*
121 to 132	*4.33*	*3.92*	*8.93*	*4.88*	*4.53*
133 to 144	*4.60*	*4.19*	*9.62*	*5.15*	*4.81*
145 to 156	*4.88*	*4.47*	*10.31*	*5.43*	*5.08*
157 to 168	*5.15*	*4.74*	*10.99*	*5.70*	*5.43*
169 to 180	*5.43*	*4.88*	*11.66*	*6.05*	*5.70*

3. For single credit accident and health insurance, if the premium is charged on the basis of a premium rate per month per $1,000 of outstanding insured debt, the prima facie rate per $1,000 must comply with the provisions of this subsection. Rates for monthly periods that are different from the rates set forth in this subsection must be interpolated or extrapolated.

Term of Loan in Months	*Prospective Benefits*		*Retroactive Benefits*		
	14-Day	*30-Day*	*7-Day*	*14-Day*	*30-Day*
1 to 12	*1.48*	*0.85*	*3.17*	*2.32*	*1.80*

Term of Loan in Months	*Prospective Benefits*		*Retroactive Benefits*		
	14-Day	*30-Day*	*7-Day*	*14-Day*	*30-Day*
13 to 24	*1.21*	*0.88*	*2.20*	*1.65*	*1.37*
25 to 36	*1.11*	*0.89*	*1.85*	*1.41*	*1.22*
37 to 48	*0.98*	*0.81*	*1.68*	*1.21*	*1.06*
49 to 60	*0.88*	*0.74*	*1.58*	*1.06*	*0.95*
61 to 72	*0.81*	*0.69*	*1.50*	*0.96*	*0.87*
73 to 84	*0.76*	*0.66*	*1.46*	*0.89*	*0.81*
85 to 96	*0.72*	*0.64*	*1.42*	*0.84*	*0.76*
97 to 108	*0.69*	*0.62*	*1.39*	*0.80*	*0.73*
109 to 120	*0.67*	*0.60*	*1.36*	*0.76*	*0.70*

4. If the coverage provided is a constant maximum indemnity for a specific period, the actuarial equivalent of subsections 2 and 3 must be used.

5. If the coverage provided is a combination of a constant maximum indemnity for a specific period 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 specific period and the premium rate for a maximum indemnity which decreases in even amounts per month must be used.

6. The outstanding balance rate for credit accident and health insurance may be a term-specified rate or a rate paid on an outstanding balance basis for an average of the single rates

if the Commissioner finds that the single rate is actuarially consistent with the rates set forth in subsection 3.

7. The prima facie rates and the formulas used to calculate the rates for credit accident and health insurance set forth in subsections 2 and 3 shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner if the insurance is issued for an open-end credit agreement. Any other formula used to convert from a closed-end credit rate to an open-end credit rate may be used if approved by the Commissioner.

8. If the maximum benefit of the credit accident and health insurance equals the net debt on the date of disability, the term of the loan must be calculated according to the following formula:

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

Where "n" = Term of the loan.

The prima facie rate must be determined by applying the calculated term to the rates set forth in subsections 2 and 3. A composite percentage may be used in place of the minimum payment percentage for a specific credit transaction.

9. If the maximum benefit of the credit accident and health insurance equals the outstanding balance of the loan on the date of disability plus any interest accruing on that amount during the period of disability, the term of the insurance 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.

"n" = Term of the insurance.

"x" = Monthly payment per $1,000 of coverage that is established for a term of insurance calculated in this subsection.

"v" = 1/(1 + i).

The calculated value of the term of insurance must be used to determine an initial rate set forth in subsections 2 and 3. The final prima facie rate must be calculated by multiplying the initial rate by the adjustment by using the following formula:

$$n/a_n$$

Where:

"n" = Term of insurance calculated in this subsection.

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

10. If the credit accident and health insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.85.

11. If the benefits provided under a policy of credit accident and health insurance are different from the benefits described in this section, the rates for those benefits must be actuarially consistent with the rates set forth in this section.

12. As used in this section:

(a) "Composite interest rate" means an average of all interest rates offered by a creditor of an insurer.

(b) "Composite percentage" means the average of all minimum payment percentages for a specific credit transaction.

Sec. 10. *The rates set forth in subsections 2 and 3 of section 9 of this regulation apply to a policy of credit accident and health insurance that is offered to a debtor if the policy includes:*

1. Coverage for disability caused by any means, 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 controlled substances 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 commercially scheduled aircraft; or

(g) A preexisting condition.

2. For the exclusion set forth in paragraph (g) of subsection 1, 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:

(a) For the first 12 months of disability, total disability means the inability to perform the essential functions of the insured's occupation.

(b) After the first 12 months of disability, total disability means the inability of the insured to perform the essential functions of any occupation for which he is reasonably suited because of education, training or experience.

4. A provision that is not more restrictive than a provision that requires the debtor to be employed full-time on the effective date of coverage and for at least 12 consecutive months before the effective date of coverage.

5. A provision that prohibits coverage from becoming effective for a debtor after the debtor attains:

(a) The age of 66 years and requires that all insurance for the debtor will terminate when the debtor attains the age of 70 years; or

(b) The age of 68 years and requires that all insurance will terminate when the debtor attains the age of 72 years. If such a provision is included, prima facie rates for credit accident and health insurance may be increased by 1.8 percent and shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.

6. A daily benefit of not less than one-thirtieth of the monthly benefit payable under the policy.

Sec. 11. *1. The rates for a policy of credit accident and health insurance set forth in section 9 of this regulation may be used only if the policy issued using those rates does not include coverage for a preexisting condition except for a condition that:*

(a) Required medical diagnosis or treatment within the 6 months immediately preceding the effective date of coverage; and

(b) Causes disability that begins within 6 months after the effective date of coverage.

2. If the policy issued using the rates set forth in section 9 of this regulation does not include coverage for a preexisting condition as specified in paragraphs (a) and (b) of subsection 1, an insurer may file for approval for higher rates in the manner prescribed in section 14 of this regulation.

Sec. 12. *If a policy of credit life insurance includes coverage for a preexisting condition, the policy may not include a different rate for coverage of a preexisting condition unless the preexisting condition:*

1. Required medical diagnosis or treatment within the 6 months immediately preceding the effective date of coverage; and

2. Causes death within 6 months after the effective date of coverage.

Sec. 13. *1. Each insurer who files rates with the Commissioner for credit unemployment insurance must include in its filing the formula upon which its rates are based.*

2. The rates shall be deemed reasonable if the rates do not exceed $0.95 for $100 of insurance per annum and must be paid on a single premium basis.

3. If an insurer files rates graduated according to the size of the group, the rates shall be deemed reasonable if the rates approximate a standard of $0.95 as set forth in subsection 2.

4. If the credit unemployment insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.85.

5. A policy of credit unemployment insurance must include a requirement that:

(a) To be eligible to receive payments under a claim for loss of employment income, the debtor must provide proof that he has:

(1) Filed a claim for unemployment benefits with the state agency that administers unemployment benefits in the state where the debtor is eligible to file the claim; or

(2) Registered with a state-licensed employment agency and the registration:

(I) Begins not later than 30 days after the date of involuntary unemployment; and

(II) Continues for the entire period of the claim; and

(b) The debtor is reeligible for unemployment benefits after the completion of payments under a claim for loss of employment income if he was employed:

(1) On a full-time basis in a nonseasonal occupation;

(2) For 30 consecutive days; and

(3) By the same employer.

6. A policy of credit unemployment insurance must not include eligibility requirements more restrictive than an age restriction providing that no insurance will become effective for a debtor after the debtor attains:

(a) The age of 66 years and that all insurance for the debtor will terminate when the debtor attains the age of 70 years; or

(b) The age of 68 years and that all insurance for the debtor will terminate when the debtor attains the age of 72 years. If such a provision is included, a premium adjustment is not required and the prima facie rates for credit unemployment insurance shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.

Sec. 14. ***1. An insurer may file for approval by the Commissioner to use rates that are higher than the prima facie rates set forth in sections 8 to 13, inclusive, of this regulation, if the rates are reasonable in relation to the benefits provided. If rates higher than the prima facie rates set forth in sections 8 to 13, inclusive, of this regulation are filed for approval, the filing must specify the account to which the rates apply. The rates must be:***

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

(b) Applied on an equitable basis, as approved by the Commissioner, to any account of the insurer for which the experience has been less favorable than expected; or

(c) Applied according to the insurer's application for approval of rates filed with the Commissioner.

2. A rate that is different from the prima facie rate 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 may not file more than once during any 12-month period.

3. If an account changes insurers, the rate approved 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 period approved for the prior insurer or until a new rate is approved for use on the account, whichever occurs earlier.

4. An insurer may use a rate for an account that is lower than its filed rate without notifying the Commissioner unless the rate applies to credit life insurance. If the rates for credit life insurance are lower than the prima facie rates set forth in section 8 of this regulation, an insurer may file for approval for lower rates in the manner prescribed in subsections 1 and 2.

Sec. 15. ***1. If an insurer specifies the formula for a refund in an individual policy or certificate of group insurance filed for approval by the Commissioner and the filing is acknowledged and not disapproved by the Commissioner, the formula may be used. A formula for a refund which is the sum of the amounts for each remaining period for payment of the obligation, calculated by multiplying the amount paid as the premium by a fraction which has a denominator equal to the sum of the total number of periods for payment of the obligation and a numerator equal to the sum of the remaining number of periods, may be referred to as the "sum-of-the-digits" formula.***

2. The following methods may be used to determine the amount of a refund for the following types of insurance:

(a) For a premium for credit insurance, if the premium is paid on a single premium basis, the refund must be calculated by the sum-of-the-digits formula.

(b) For a premium for credit insurance, if the premium is payable other than on the single premium basis, the refund must equal the prorated unearned gross premium.

3. An insurer may calculate a refund on a daily or monthly basis. The insurer shall indicate the basis used when the insurer files the formula for calculating refunds for approval by the Commissioner. A refund may be calculated on an approximate daily basis by interpolating proportionately between the values at the beginning and at the end of the month. Each month shall be deemed to have 30 days. If a refund is calculated on a monthly basis, a charge may not be made for a period which is less than 16 days after the date the last monthly installment was due, but may be made for the entire month if the period is 16 days or more.

Sec. 16. ***1. Each insurer who engages in the business of credit insurance in this State shall conduct:***

(a) An annual audit of all payments for claims made on its behalf by an administrator, claim representative or group policyholder.

(b) A review of each of its accounts for creditors with respect to the business of credit insurance of the creditor to ensure compliance with the Nevada Insurance Code and the regulations adopted pursuant thereto. The initial review must be conducted not later than March 1, 2008, or the date of the initial credit transaction between the creditor and the insurer, whichever is later. After the initial review, the review must be conducted every 24 months.

2. The audit or review must include, if applicable, a determination that:

(a) The proper charges to debtors for premiums are made by the creditor and remitted to the insurer in a timely manner.

(b) The refunds are being calculated accurately and paid promptly by the creditor.

(c) All claims and inquiries concerning claims are filed promptly and handled properly.

(d) Amounts of insurance payable on death, in excess of the amounts necessary to extinguish the indebtedness, are properly calculated and reported to the secondary beneficiary of the policy.

(e) The creditor is promptly and fairly processing complaints concerning its business of credit insurance and is maintaining proper procedures for and records of the complaints processed.

3. The insurer shall retain the written results of the audit or review at its home office for at least 7 years after the date of the completion of the audit or review by the insurer.

4. The insurer shall pay the cost of the audit or review, and the cost may not be chargeable against any creditor, producer or other entity.

5. In addition to any other authority granted to the Commissioner pursuant to chapter 679B of NRS, if the Commissioner determines that an audit or review required pursuant to this section is not being conducted or that there is reason to believe that the audit or review is not complete or is deficient, the Commissioner may cause an audit or review to be conducted by the Division of Insurance of the Department of Business and Industry or an independent auditor. The insurer shall pay the cost of the audit or review.

Sec. 17. ***An insurer that provides consumer credit insurance shall report its experience data annually to the Commissioner, on a form prescribed by the Commissioner. The initial such report must by submitted by the insurer on or before September 1, 2008. The Commissioner will use this data to determine annually whether the prima facie rates for credit life insurance, credit accident and health insurance and credit unemployment insurance set forth in sections 8 to 13, inclusive, of this regulation are reasonable in relation to the benefits provided. If the Commissioner determines that the rates are not reasonable, the Commissioner will adopt new rates.***

Sec. 18. All rates and forms for policies of credit insurance that are not in compliance with the provisions of sections 2 to 17, inclusive, of this regulation are void on July 1, 2007. No such rates or forms may be issued after July 1, 2007, unless they have been submitted to and approved by the Commissioner of Insurance not later than July 1, 2007, or unless a rider approved by the Commissioner after that date has been attached that brings the form into compliance with the provisions of sections 2 to 17, inclusive, of this regulation.

Sec. 19. This regulation becomes effective on April 1, 2007.

NOTICE OF ADOPTION OF REVISED PROPOSED REGULATION
LCB FILE No. R014-06

The Commissioner of Insurance submits the following statement. The Commissioner adopted regulations assigned LCB File R014-06, which pertain to Chapter 690A of the Nevada Administrative Code, a regulation relating to insurance; establishing the rates and requirements for policies of credit insurance; establishing methods for determining the amount of the unearned premium that must be refunded to a debtor upon the cancellation of a policy of credit insurance; and providing other matters properly relating thereto.

A hearing was held on March 16, 2006, 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.

INFORMATIONAL STATEMENT

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 9 individuals. Oral testimony was provided by Becky Trenouth and Van Mouradian, representing the Division; and Jim Wadhams, representing Citigroup. Written testimony, in the form of suggested changes, was provided by Merit Life Insurance Company, American Heritage Life Insurance Company and Birny Birnbaum, Executive Director of the Center for Economic Justice. Becky Trenouth addressed comments from both Merit Life Insurance Company and American Heritage Life Insurance Company during the workshop and Van Mouradian addressed the comments received from Birny Birnbaum of the Center for Economic Justice.

The Center for Economic Justice provided written testimony stating that consumer representatives were not invited to participate in the public process and rates were excessive. Van provided testimony that Birny Birmbaum of the Center for Economic Justice was contacted on several occasions throughout the rate and the regulation development. The Division has evidence of communication as follows: (a) On November 30, 2005, a request from Jack Childress, Life and Health Section, was sent to Birny Birnbaum soliciting input regarding the consumer credit rates, along with the rates the Division was bringing to the working group as a starting point; (b) Mr. Birnbaum sent a response on December 2, 2005 with some suggestions and compliments regarding reduction of rates; (c) On December 7, 2005, additional general information regarding the rate development was sent to Mr. Birnbaum; (d) On January 3, 2006, the rating analysis provided by Keith Nelson, an independent actuary, was sent to Mr. Birnbaum, who responded that he would provide a detailed analysis as soon as possible; (e) On January 13, 2006, the rates developed by the working group were provided to Mr. Birnbaum. No comments regarding Mr. Nelson's analysis, or the rates, were provided by the Center for Economic Justice until the evening before the hearing, March 15, 2006. It is evident that the Center for Economic Justice and Birny Birnbaum had ample time and opportunity to provide input and participate in this public process of regulation drafting and prima facie rate development.

There were several revisions recommended and made to the Proposed Regulation, LCB File No. R014-06, dated March 15, 2006. A revised version of the regulation is attached. The revisions pertain to the removal of definitions where the words are already defined in statute, as well as clarification, technical changes and changes of the dates of the Division's rate review. The Commissioner issued an order adopting the regulation, as revised, in accordance with the findings of 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 1 is amended as follows:

Section 1. Chapter 690A of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to <u>15</u>[24,] inclusive, of this regulation.

2. Section 2 is amended as follows:

Sec. 2. As used in this chapter, unless the context otherwise requires, the words and terms defined in sections 3 to <u>7</u>[16,] inclusive, of this regulation have the meanings ascribed to them in those sections.

3. Sections 4 through 11, inclusive, are deleted as follows:

[**Sec. 4.** "Commissioner" means the Commissioner of Insurance.

Sec. 5. "Credit accident and health insurance" has the meaning ascribed to it in NRS 690A.0135.

Sec. 6. "Credit disability insurance" means insurance issued on a debtor to provide indemnity for payments that become due on a specific loan or other credit transaction while the debtor is disabled, as that term is defined in the policy or certificate.4

Sec. 7. "Credit insurance" has the meaning ascribed to it in NRS 690A.015.

Sec. 8. "Credit life insurance" has the meaning ascribed to it in NRS 690A.016.

Sec. 9. "Credit transaction" has the meaning ascribed to it in NRS 690A.0163.

Sec. 10. "Creditor" has the meaning ascribed to it in NRS 690A.017.

Sec. 11. "Debtor" has the meaning ascribed to it in NRS 690A.018.]

4. Section 12 is renumbered as Section 4:

Sec. 4.[12.] "Indebtedness" means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction and includes the finance charge that is or will be assigned to the transaction.

5. Section 13 is deleted as follows:

[**Sec. 13.** "Net debt" has the meaning ascribed to it in NRS 690A.0243.]

6. Section 14 is renumbered as Section 5:

Sec. 5.[14.] "Outstanding balance basis" means premiums that are paid monthly using a rate per $1,000 of monthly outstanding insured indebtedness.

7. Section 15 is renumbered as Section 6:

Sec. 6.[15.] "Prima facie rate" means a rate that is deemed to be reasonable in relation to the benefits provided for credit insurance and may be used without filing additional actuarial information with the Commissioner.

8. Section 16 is renumbered as Section 7:

Sec. 7.[16.] "Single premium basis" means the present value of the monthly premiums that are charged over the term of a policy.

9. Section 17 is renumbered and amended as follows:

Sec. 8.[**17.**] 1. Except as otherwise provided in subsection 4 of section 13[22] of this regulation, the prima facie rate for credit life insurance shall be deemed reasonable in relation to the benefits provided[premium charged] and may be used without filing additional actuarial information with the Commissioner if the rate complies with the provisions of this section.

2. Single Premium Basis: If premiums are paid on a basis of a premium rate per hundred per annum of scheduled net debt, these premiums must be computed according to the following formula[For credit life insurance, if the premium is charged on a single premium basis, the premium must be paid on the basis of a premium rate per hundred per annum of actual or scheduled net debt and must be calculated according to the formula set forth in this subsection] or according to a formula approved by the Commissioner that produces a rate that is actuarially consistent with the rates set forth in this section:[subsection 5:]

$NSPn,t = (1.02/13)*(t - a_n + a_{n-t})/(i* a_n)$

[

$$NSP_{n,t} = \frac{GSP_{12}}{10} \times \frac{20}{13} \times \frac{(t - a_{\overline{n|}} + a_{\overline{n-t|}})}{i \times a_{\overline{n|}}}$$

]

Where:

“$NSP_{n,t}$” = Single premium net balance rate per $100 of initial insured indebtedness for “t” months.

[“GSP_{12}” = Single premium gross decreasing rate per $100 of initial gross indebtedness per annum.]

“n” = Term of loan.

“t” = Term of insurance.

“i” = Monthly interest rate.

“**$\underline{a_n}$** [a-]”= Present value of an annuity due of $1 for a period of “n” months at interest [$_{n|}$ **]** rate “i.”

“**$\underline{a_{n-t}}$**[a-]” = Present value of an annuity due of $1 for a period of “n-t” months at interest [$_{n-t|}$] rate “i.”

3. For single credit life insurance, if the premium is charged on a[:

(a) A] monthly outstanding balance basis, the rate must be 82 cents per month per $1,000 of outstanding insured indebtedness.

[(b) A gross decreasing balance basis, the rate must be 51 cents per annum per $100 of initial gross indebtedness.]

4. If credit life insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.54.

5. For [accidental death or] dismemberment insurance, if the premium is charged on:

(a) A single premium basis, the rate must be 5 cents per $100 of insurance per annum for single life insurance and 10 cents per $100 of insurance per annum for joint life insurance.

(b) A monthly outstanding balance basis, the rate must be 8 cents per month per $1,000 of outstanding insured indebtedness on single life insurance and 16 cents per month per $1,000 of outstanding insured indebtedness on joint life insurance.

[(c) A joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 2.]

6. If the benefits provided are different from the benefits described in this section, [subsections 1 to 5, inclusive,] the premium rates for those benefits must be actuarially consistent with the rates set forth in subsections 2 to 5, inclusive, and must be approved by the Commissioner before those rates may be used.

7. The rates in this section may be used only if the coverage issued in conjunction with those rates does not include an exception for a preexisting condition. If the coverage

includes an exception for a preexisting condition as specified in paragraphs (a) and (b) of subsection 2[1] of section 11[20] of this regulation, an insurer may file for approval for lower rates in the manner prescribed in section 13[22] of this regulation.

8. The rates set forth in this section apply to a policy of credit life insurance that is offered to a debtor if the policy includes:

(a) Coverage for death caused by any means, except that coverage may exclude death resulting from:

(1) War or any act of war;

(2) Suicide within 2 years after the effective date of the coverage; or

[(3) A preexisting condition, unless the preexisting condition causes or substantially contributes to a death and the death occurs within 6 months after the effective date of coverage.]

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

(c) A provision that prohibits coverage from becoming effective after the debtor attains:

(1) The age of 66 years and requires that all insurance for the debtor will terminate when the debtor attains the of age 70[72] years; or

(2) The age of 68 years and requires that all insurance for the debtor will terminate when the debtor attains the age of 72 years. If such a provision is included, prima facie rates for credit life insurance may be increased by 5.9 percent and shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.

9. As used in this section:

(a) "Joint life insurance" means credit life insurance issued to two debtors who are jointly and severally liable for the indebtedness.

(b) "Single life insurance" means credit life insurance issued to one debtor who is liable for the indebtedness.

10. Section 18 is renumbered and amended as follows:

Sec. 9.[18.] 1. Except as otherwise provided in section 13[22] of this regulation, a prima facie rate for credit accident and health[disability] insurance shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner if the prima facie rate complies with the provisions of this section.

2. If the premium is charged on a single premium basis, the prima facie rate per $100 of initial insured debt for credit accident and health insurance must comply with the provisions of this subsection. Rates for monthly periods that are different from the rates set forth in this subsection must be interpolated or extrapolated.

Term of Loan in Months	Prospective Benefits		Retroactive Benefits		
	14-Day	30-Day	7-Day	14-Day	30-Day
1 to 12	1.04	.59	2.22	1.63	1.26
13 to 24	1.63	1.19	2.96	2.22	1.85
25 to 36	2.22	1.78	3.70	2.82	2.44
37 to 48	2.59	2.15	4.45	3.19	2.82
49 to 60	2.89	2.44	5.19	3.48	3.11
61 to 72	3.19	2.74	5.93	3.78	3.41
73 to 84	3.48	3.04	6.67	4.07	3.70
85 to 96	3.78	3.33	7.41	4.37	4.00
97 to 108	4.07	3.63	8.15	4.67	4.30
109 to 120	4.37	3.93	8.89	4.96	4.59
121 to 132	4.67	4.22	9.63	5.26	4.89
133 to 144	4.96	4.52	10.37	5.56	5.19
145 to 156	5.26	4.82	11.11	5.85	5.48
157 to 168	5.56	5.11	11.85	6.15	5.85
169 to 180	5.85	5.26	12.60	6.52	6.15

3. For single credit accident and health insurance, if the premium is charged on the basis of a premium rate per month per $1,000 of outstanding insured debt, the prima facie rate per $1,000 must comply with the provisions of this subsection. Rates for monthly periods that are different from the rates set forth in this subsection must be interpolated or extrapolated.

Term of Loan in Months	Prospective Benefits		Retroactive Benefits		
	14-Day	30-Day	7-Day	14-Day	30-Day
1 to 12	1.59	.91	3.42	2.50	1.94
13 to 24	1.30	.95	2.37	1.78	1.48
25 to 36	1.20	.96	2.00	1.52	1.32
37 to 48	1.06	.87	1.82	1.30	1.15
49 to 60	.95	.80	1.70	1.14	1.02
61 to 72	.87	.75	1.62	1.04	.93
73 to 84	.82	.71	1.57	.96	.87
85 to 96	.78	.69	1.53	.90	.82
97 to 108	.75	.67	1.50	.86	.79
109 to 120	.73	.65	1.47	.82	.76

4. If the coverage provided is a constant maximum indemnity for a specific period, the actuarial equivalent of subsections 2 and 3 must be used.

5. If the coverage provided is a combination of a constant maximum indemnity for a specific period 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 specific period and the premium rate for a maximum indemnity which decreases in even amounts per month must be used.

6. The outstanding balance rate for credit accident and health insurance may be a term- specified rate or a rate paid on an outstanding balance basis for an average of the single rates if the Commissioner finds that the single rate is actuarially consistent with the rates set forth in subsection 3.

7. The prima facie rates and the formulas used to calculate the rates for credit accident and health insurance set forth in subsections 2 and 3 shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner if the insurance is issued for an open-end credit agreement. Any other formula used to convert from a closed-end credit rate to an open-end credit rate may be used if approved by the Commissioner.

8. If the maximum benefit of the credit <u>accident and health</u>[disability] insurance equals the net debt on the date of disability, the term of the loan must be calculated according to the following formula:

<u>n =</u> 1/(minimum payment percent)

The prima facie rate must be determined by applying the calculated term to the rates set forth in subsections 2 and 3. A composite percentage may be used in place of the minimum payment percentage for a specific credit transaction.

9. If the maximum benefit of the credit <u>accident and health</u>[disability] insurance equals the outstanding balance of the loan on the date of disability plus any interest accruing on that amount during the period of disability, the term of the insurance 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.

"n" = Term of the insurance.

"x" = Monthly payment per $1,000 of coverage that is established for a term of insurance calculated in this subsection.

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

The calculated value of the term of insurance must be used to determine an initial rate set forth in subsections 2 and 3. The final prima facie rate must be calculated by multiplying the initial rate by the adjustment by using the following formula:

n/a_n

Where:

"n" = the term of insurance calculated in this subsection.

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

10. If the credit accident and health insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.85.

11. If the benefits provided under a policy of credit accident and health insurance are different from the benefits described in this section, the rates for those benefits must be actuarially consistent with the rates set forth in this section.

12. As used in this section:

(a) "Composite interest rate" means an average of all interest rates offered by a creditor of an insurer.

(b) "Composite percentage" means the average of all minimum payment percentages for a specific credit transaction.

[(c) "Open-end credit" has the meaning ascribed to it in NRS 690A.0247.]

11. Section 19 is renumbered and amended as follows:

Sec. 10.[19.] The rates set forth in subsections 2 and 3 of section 9[18] of this regulation apply to a policy of credit accident and health insurance that is offered to a debtor if the policy includes:

1. Coverage for disability caused by any means, 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 controlled substances 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 commercially scheduled aircraft; or

(g) A preexisting condition.

2. For the exclusion set forth in paragraph (g) of subsection 1, 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:

(a) For the first 12 months of disability, total disability means the inability to perform the essential functions of the insured's occupation.

(b) After the first 12 months of disability, total disability means the inability of the insured to perform the essential functions of any occupation for which he is reasonably suited because of education, training or experience.

4. A provision that is not more restrictive than a provision that requires the debtor to be employed full-time on the effective date of coverage and for at least 12 consecutive months before the effective date of coverage.

5. A provision that prohibits coverage from becoming effective for a debtor after the debtor attains:

(a) The age of 66 years and requires that all insurance for the debtor will terminate when the debtor attains the age of 70 years; or

(b) The age of 68 years and requires that all insurance will terminate when the debtor attains the age of 72 years. If such a provision is included, prima facie rates for credit accident and health[disability] insurance may be increased by 1.8 percent and shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.

6. A daily benefit of not less than one-thirtieth of the monthly benefit payable under the policy.

12. Section 20 is renumbered and amended as follows:

Sec. 11.[20.] 1. The rates set forth in section 9[18] of this regulation may be used only if the policy issued using those rates does not include an exception for a preexisting condition except for a condition that:

(a) Requires medical diagnosis or treatment within the 6 months immediately preceding the effective date of coverage; and

(b) Causes disability that begins within 6 months after the effective date of coverage.

2. If credit life insurance includes an exception for a preexisting condition, the rates shall not include an exception for a preexisting condition except for a condition that:

(a) Requires medical diagnosis or treatment within 6 months immediately preceding the effective date of coverage; and

(b) Causes death that occurs within 6 months after the effective date of coverage.

3.[2.] If the policy issued using the rates set forth in section 9[18] of this regulation does not include an exception for a preexisting condition as specified in paragraphs (a) and (b) of subsection 1, an insurer may file for approval for higher rates in the manner prescribed in section 13[22] of this regulation.

13. Section 21 is renumbered and amended as follows:

Sec. 12.[21.] 1. Each insurer who files rates with the Commissioner for credit unemployment insurance must include in its filing the formula upon which its rates are based.

2. (a) The rates shall be deemed reasonable if the rates do not exceed $1 for $100 of insurance per annum and must be paid on a single premium basis.

(b) If the company adopts a schedule graduated according to the size of the group, the rates are allowable if they approximate a standard of $1 as indicated in paragraph (a).

3. If the credit unemployment insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.85.

4. Contracts providing credit unemployment insurance shall contain the provisions below:

(a) To be eligible for loss of income benefits, the debtor must verify that he was registered or filed with:

(1) His state's unemployment office; or

(2) A recognized employment agency;

[A debtor is eligible to receive payments under a claim for loss of employment income if the policy of credit unemployment insurance includes a requirement that:

(a) The debtor must provide proof that he has:

(1) Filed a claim for benefits with the Employment Security Division of the Department of Employment, Training and Rehabilitation; or

(2) Registered with an employment agency licensed pursuant to chapter 611 of NRS;]

(b) If the debtor registers with an employment agency, the registration must:

(1) Begin not later than 30 days after the date of involuntary unemployment; and

(2) Continue for the entire period of the claim; and

(c) The debtor must be reeligible for unemployment benefits after the completion of payments under a claim for loss of employment income if he was employed:

(1) On a full-time basis in a nonseasonal occupation;

(2) For 30 consecutive days; and

(3) By the same employer.

5. A policy of credit unemployment insurance must not include eligibility requirements more restrictive than an age restriction providing that no insurance will become effective for a debtor after the debtor attains:

(a) The age of 66 years and that all insurance for the debtor will terminate when the debtor attains the age of 70 years; or

(b) The age of 68 years and that all insurance for the debtor will terminate when the debtor attains the age of 72 years. If such a provision is included, a premium adjustment is not required and the prima facie rates for credit unemployment insurance shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.

[6. As used in this section, "credit unemployment insurance" has the meaning ascribed to it in NRS 690A.0167.]

14. Section 22 is renumbered and amended as follows:

Sec. 13.[22.] 1. An insurer may file for approval by the Commissioner to use rates that are higher than the prima facie rates set forth in sections 8 to 12,[17 to 21], inclusive, of this regulation, if the rates are reasonable in relation to the benefits provided. If rates higher than the prima facie rates set forth in sections 8 to 12,[17 to 21], inclusive, of this regulation are filed for approval, the filing must specify the account to which the rates apply. The rates must be:

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

(b) Applied on an equitable basis, as approved by the Commissioner, to any account of the insurer for which the experience has been less favorable than expected; or

(c) Applied according to the insurer's application for approval of rates filed with the Commissioner.

2. A rate that is different from the prima facie rate 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 may not file more than once during any 12-month period.

3. If an account changes insurers, the rate approved 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 period approved for the prior insurer or until a new rate is approved for use on the account, whichever occurs earlier.

4. An insurer may use a rate for an account that is lower than its filed rate without notifying the Commissioner unless the rate applies to credit life insurance. If the rates for credit life insurance are lower than the prima facie rates set forth in section 8[17]

of thisregulation, an insurer may file for approval for lower rates in the manner prescribed in subsections 1 and 2.

15. Section 23 is renumbered as Section 14:

Sec. 14.[23.] 1. If an insurer specifies the formula for a refund in an individual policy or certificate of group insurance filed for approval by the Commissioner and the filing is acknowledged and not disapproved by the Commissioner, the formula may be used. A formula for a refund which is the sum of the amounts for each remaining period for payment of the obligation, calculated by multiplying the amount paid as the premium by a fraction which has a denominator equal to the sum of the total number of periods for payment of the obligation and a numerator equal to the sum of the remaining number of periods, may be referred to as the "sum-of-the-digits" formula.

2. The following methods may be used to determine the amount of a refund for the following types of insurance:

(a) For a premium for credit insurance, if the premium is paid on a single premium basis, the refund must be calculated by the sum-of-the-digits formula.

(b) For a premium for credit insurance, if the premium is payable other than on the single premium basis, the refund must equal the prorated unearned gross premium.

3. An insurer may calculate a refund on a daily or monthly basis. The insurer shall indicate the basis used when the insurer files the formula for calculating refunds for approval by the Commissioner. A refund may be calculated on an approximate daily basis by interpolating proportionately between the values at the beginning and at the end of the month. Each month shall be deemed to have 30 days. If a refund is calculated on a monthly basis, a charge may not be made for a period which is less than 16 days after the date the last monthly installment was due, but may be made for the entire month if the period is 16 days or more.

16. Section 24 is renumbered and amended as follows:

Sec. 15.[24.] 1. Each insurer who engages in the business of credit insurance in this State shall conduct:

(a) An annual audit of all payments for claims made on its behalf by an administrator, claim representative or group policyholder.

(b) A review of each of its accounts for creditors with respect to the business of credit insurance of the creditor to ensure compliance with the Nevada Insurance Code and the regulations adopted pursuant thereto. The initial review must be conducted not later than March 1, 2008, or the date of the initial credit transaction between the creditor and the insurer, whichever is later. After the initial review, the review must be conducted every 24 months.

2. The audit or review must include, if applicable, a determination that:

(a) The proper charges to debtors for premiums are made by the creditor and remitted to the insurer in a timely manner.

(b) The refunds are being calculated accurately and paid promptly by the creditor.

(c) All claims and inquiries concerning claims are filed promptly and handled properly.

(d) Amounts of insurance payable on death, in excess of the amounts necessary to extinguish the indebtedness, are properly calculated and reported to the secondary beneficiary of the policy.

(e) The creditor is promptly and fairly processing complaints concerning its business of credit insurance and is maintaining proper procedures for and records of the complaints processed.

3. The insurer shall retain the written results of the audit or review at its home office for at least 7 years after the date of the completion of the audit or review by the insurer.

4. The insurer shall pay the cost of the audit or review, and the cost may not be chargeable against any creditor, producer or other entity.

5. In addition to any other authority granted to the Commissioner pursuant to chapter 679B of NRS, if the Commissioner determines that an audit or review required pursuant to this section is not being conducted or that there is reason to believe that the audit or review is not complete or is deficient, the Commissioner may cause an audit or review to be conducted by the Division of Insurance of the Department of Business and Industry or an independent auditor. The insurer shall pay the cost of the audit or review.

[6. As used in this section, "producer" means any person licensed pursuant to chapter 683A of NRS who sells or offers for sale a policy of credit insurance directly to a debtor.]

17. Section 25 is renumbered and amended as follows:

Sec. <u>16.</u>[25.] The Commissioner shall review the prima facie rates for credit life insurance, credit <u>accident and health</u>[disability] insurance and <u>credit</u>[involuntary] unemployment insurance not later than September 1, <u>2010,</u>[2009,] to determine whether the rates are reasonable in relation to the benefits provided. If the Commissioner determines that the rates are not reasonable, the Commissioner will adopt new rates which will become effective on September 1, <u>2011.</u>[2010.]

18. Section 26 is renumbered and amended as follows:

Sec. <u>17.</u>[26.] All rates and forms for policies of credit insurance that are not in compliance with the provisions of sections 2 to <u>15,</u>[24,] inclusive, of this regulation are void on September 1, 2006. No such rates or forms may be issued after September 1, 2006, unless
they have been submitted to and approved by the Commissioner of Insurance not later than July 1, 2006, or unless a rider approved by the Commissioner after that date has been attached that brings the form into compliance with the provisions of sections 2 to <u>15,</u>[24,] inclusive, of this regulation.

19. Section 27 is renumbered as Section 18:

Sec. <u>18.</u>[27.] This regulation becomes effective on September 1, 2006.

The economic impact of the regulation is as follows:

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

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

AMENDMENT

This informational letter has been amended because the Legislative Commission's Subcommittee to Review Regulations did not approve the original R014-06. The Commissioner's further amendments are sequential as follows:

1. Section 8 is further amended as follows:

Sec. 8. 1. Except as otherwise provided in subsection 4 of section 13 of this regulation, the prima facie rate for credit life insurance shall be deemed reasonable in relation to the benefits provided_and may be used without filing additional actuarial information with the Commissioner if the rate complies with the provisions of this section.

2. Single Premium Basis: If premiums are paid on a basis of a premium rate per hundred per annum of scheduled net debt, these premiums must be computed according to the following formula or according to a formula approved by the Commissioner that produces a rate that is actuarially consistent with the rates set forth in this section:

$NSPn,t = (\underline{0.94}[1.02]/13)*(t - a_n + a_{n-t})/(i* a_n)$

Where:

"$NSP_{n,t}$" = Single premium net balance rate per $100 of initial insured indebtedness for "t" months.

"n" = Term of loan.

"t" = Term of insurance.

"i" = Monthly interest rate.

"a_n" = Present value of an annuity <u>immediate</u>[due] of $1 for a period of "n" months at interest rate "i."

"a_{n-t}" = Present value of an annuity <u>immediate</u>[due] of $1 for a period of "n-t" months at interest
rate "i."

3. For single credit life insurance, if the premium is charged on a monthly outstanding balance basis, the rate must be <u>75</u>[82] cents per month per $1,000 of outstanding insured indebtedness.

4. If credit life insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.54.

5. For dismemberment insurance, if the premium is charged on:

(a) A single premium basis, the rate must be 5 cents per $100 of insurance per annum for single life insurance and 10 cents per $100 of insurance per annum for joint life insurance.

(b) A monthly outstanding balance basis, the rate must be 8 cents per month per $1,000 of outstanding insured indebtedness on single life insurance and 16 cents per month per $1,000 of outstanding insured indebtedness on joint life insurance.

6. If the benefits provided are different from the benefits described in this section, the premium rates for those benefits must be actuarially consistent with the rates set forth in subsections 2 to 5, inclusive, and must be approved by the Commissioner before those rates may be used.

7. The rates in this section may be used only if the coverage issued in conjunction with those rates does not include an exception for a preexisting condition. If the coverage includes an exception for a preexisting condition as specified in paragraphs (a) and (b) of subsection 2_of section 11 of this regulation, an insurer may file for approval for lower rates in the manner prescribed in section 13 of this regulation.

8. The rates set forth in this section apply to a policy of credit life insurance that is offered to a debtor if the policy includes:

(a) Coverage for death caused by any means, except that coverage may exclude death resulting from:

(1) War or any act of war;

(2) Suicide within 2 years after the effective date of the coverage; or

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

(c) A provision that prohibits coverage from becoming effective after the debtor attains:

(1) The age of 66 years and requires that all insurance for the debtor will terminate when the debtor attains the of age 70 years; or

(2) The age of 68 years and requires that all insurance for the debtor will terminate when the debtor attains the age of 72 years. If such a provision is included, prima facie rates for credit life insurance may be increased by 5.9 percent and shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.

9. As used in this section:

(a) “Joint life insurance” means credit life insurance issued to two debtors who are jointly and severally liable for the indebtedness.

(b) “Single life insurance” means credit life insurance issued to one debtor who is liable for the indebtedness.

2. Section 9 is further amended as follows:

Sec. 9. 1. Except as otherwise provided in section 13 of this regulation, a prima facie rate for credit accident and health insurance shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner if the prima facie rate complies with the provisions of this section.

2. If the premium is charged on a single premium basis, the prima facie rate per $100 of initial insured debt for credit accident and health insurance must comply with the provisions of this subsection. Rates for monthly periods that are different from the rates set forth in this subsection must be interpolated or extrapolated.

Term of Loan in Months	Prospective Benefits		Retroactive Benefits		
	14-Day	30-Day	7-Day	14-Day	30-Day
1 to 12	$0.96[1.04]	$0.55[.59]	$2.06[2.22]	$1.51[1.63]	$1.17[1.26]
13 to 24	1.51[1.63]	1.10[1.19]	2.75[2.96]	2.06[2.22]	1.72[1.85]
25 to 36	2.06[2.22]	1.65[1.78]	3.44[3.70]	2.61[2.82]	2.27[2.44]
37 to 48	2.40[2.59]	1.99[2.15]	4.12[4.45]	2.95[3.19]	2.61[2.82]
49 to 60	2.68[2.89]	2.27[2.44]	4.81[5.19]	3.23[3.48]	2.89[3.11]
61 to 72	2.95[3.19]	2.54[2.74]	5.50[5.93]	3.50[3.78]	3.16[3.41]
73 to 84	3.23[3.48]	2.82[3.04]	6.18[6.67]	3.78[4.07]	3.44[3.70]
85 to 96	3.50[3.78]	3.09[3.33]	6.87[7.41]	4.05[4.37]	3.71[4.00]
97 to 108	3.78[4.07]	3.37[3.63]	7.56[8.15]	4.33[4.67]	3.98[4.30]
109 to 120	4.05[4.37]	3.64[3.93]	8.24[8.89]	4.60[4.96]	4.26[4.59]
121 to 132	4.33[4.67]	3.92[4.22]	8.93[9.63]	4.88[5.26]	4.53[4.89]
133 to 144	4.60[4.96]	4.19[4.52]	9.6210.37]	5.15[5.56]	4.81[5.19]
145 to 156	4.88[5.26]	4.47[4.82]	10.31[11.11]	5.43[5.85]	5.08[5.48]
157 to 168	5.15[5.56]	4.74[5.11]	10.99[11.85]	5.70[6.15]	5.43[5.85]
169 to 180	5.43[5.85]	4.88[5.26]	11.66[12.60]	6.05[6.52]	5.70[6.15]

3. For single credit accident and health insurance, if the premium is charged on the basis of a premium rate per month per $1,000 of outstanding insured debt, the prima facie rate per $1,000 must comply with the provisions of this subsection. Rates for monthly periods that are different from the rates set forth in this subsection must be interpolated or extrapolated.

Term of Loan in Months	Prospective Benefits		Retroactive Benefits		
	14-Day	30-Day	7-Day	14-Day	30-Day
1 to 12	$1.48[1.59]	$0.85[.91]	$3.17[3.42]	$2.32[2.50]	$1.80[1.94]
13 to 24	1.21[1.30]	0.88[.95]	2.20[2.37]	1.65[1.78]	1.37[1.48]
25 to 36	1.11[1.20]	0.89[.96]	1.85[2.00]	1.41[1.52]	1.22[1.32]
37 to 48	0.98[1.06]	0.81[.87]	1.68[1.82]	1.21[1.30]	1.06[1.15]
49 to 60	0.88[.95]	0.74[.80]	1.58[1.70]	1.06[1.14]	0.95[1.02]
61 to 72	0.81[.87]	0.69[.75]	1.50[1.62]	0.96[1.04]	0.87[.93]
73 to 84	0.76[.82]	0.66[.71]	1.46[1.57]	0.89[.96]	0.81[.87]
85 to 96	0.72[.78]	0.64[.69]	1.42[1.53]	0.84[.90]	0.76[.82]
97 to 108	0.69[.75]	0.62[.67]	1.39[1.50]	0.80[.86]	0.73[.79]
109 to 120	0.67[.73]	0.60[.65]	1.36[1.47]	0.76[.82]	0.70[.76]

4. If the coverage provided is a constant maximum indemnity for a specific period, the actuarial equivalent of subsections 2 and 3 must be used.

5. If the coverage provided is a combination of a constant maximum indemnity for a specific period 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 specific period and the premium rate for a maximum indemnity which decreases in even amounts per month must be used.

6. The outstanding balance rate for credit accident and health insurance may be a term- specified rate or a rate paid on an outstanding balance basis for an average of the single rates if the Commissioner finds that the single rate is actuarially consistent with the rates set forth in subsection 3.

7. The prima facie rates and the formulas used to calculate the rates for credit accident and health insurance set forth in subsections 2 and 3 shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner if the insurance is issued for an open-end credit agreement. Any other formula used to convert from a closed-end credit rate to an open-end credit rate may be used if approved by the Commissioner.

8. If the maximum benefit of the credit accident and health insurance equals the net debt on the date of disability, the term of the loan must be calculated according to the following formula:

n = 1/(minimum payment percent)

The prima facie rate must be determined by applying the calculated term to the rates set forth in subsections 2 and 3. A composite percentage may be used in place of the minimum payment percentage for a specific credit transaction.

9. If the maximum benefit of the credit accident and health insurance equals the outstanding balance of the loan on the date of disability plus any interest accruing on that amount during the period of disability, the term of the insurance 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.
“n” = Term of the insurance.
“x” = Monthly payment per $1,000 of coverage that is established for a term of insurance calculated in this subsection.
“v” = 1/(1 + i).

The calculated value of the term of insurance must be used to determine an initial rate set forth in subsections 2 and 3. The final prima facie rate must be calculated by multiplying the initial rate by the adjustment by using the following formula:

n/a_n
Where:
“n” = the term of insurance calculated in this subsection.
“a_n” = $(1 - v^n)/i$.

10. If the credit accident and health insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.85.
11. If the benefits provided under a policy of credit accident and health insurance are different from the benefits described in this section, the rates for those benefits must be actuarially consistent with the rates set forth in this section.
12. As used in this section:
(a) “Composite interest rate” means an average of all interest rates offered by a creditor of an insurer.
(b) “Composite percentage” means the average of all minimum payment percentages for a specific credit transaction.

3. Section 13, as renumbered and amended by the Legislative Counsel Bureau, is further amended as follows:

Sec. 13. 1. Each insurer who files rates with the Commissioner for credit unemployment insurance must include in its filing the formula upon which its rates are based.

2. (a) The rates shall be deemed reasonable if the rates do not exceed $0.95[1] for $100 of insurance per annum and must be paid on a single premium basis.
(b) If the company adopts a schedule graduated according to the size of the group, the rates are allowable if they approximate a standard of $1 as indicated in paragraph (a).
3. If the credit unemployment insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.85.
4. Contracts providing credit unemployment insurance shall contain the provisions below:
(a) To be eligible for loss of income benefits, the debtor must verify that he was registered or filed with:
(1) His state’s unemployment office; or

(2) A recognized employment agency;

[A debtor is eligible to receive payments under a claim for loss of employment income if the policy of credit unemployment insurance includes a requirement that:

(a) The debtor must provide proof that he has:

(1) Filed a claim for benefits with the Employment Security Division of the Department of Employment, Training and Rehabilitation; or

(2) Registered with an employment agency licensed pursuant to chapter 611 of NRS;]

(b) If the debtor registers with an employment agency, the registration must:

(1) Begin not later than 30 days after the date of involuntary unemployment; and

(2) Continue for the entire period of the claim; and

(c) The debtor must be reeligible for unemployment benefits after the completion of payments under a claim for loss of employment income if he was employed:

(1) On a full-time basis in a nonseasonal occupation;

(2) For 30 consecutive days; and

(3) By the same employer.

5. A policy of credit unemployment insurance must not include eligibility requirements more restrictive than an age restriction providing that no insurance will become effective for a debtor after the debtor attains:

(a) The age of 66 years and that all insurance for the debtor will terminate when the debtor attains the age of 70 years; or

(b) The age of 68 years and that all insurance for the debtor will terminate when the debtor attains the age of 72 years. If such a provision is included, a premium adjustment is not required and the prima facie rates for credit unemployment insurance shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.

[6. As used in this section, "credit unemployment insurance" has the meaning ascribed to it in NRS 690A.0167.]

4. Section 17, as renumbered and amended by the Legislative Counsel Bureau, is further amended as follows:

Sec. 17. The Commissioner shall require the providers of consumer credit insurance to provide annual experience data on an annual basis beginning in 2008. The Commissioner shall use this information to review the prima facie rates for credit life insurance, credit accident and health insurance and credit unemployment insurance [not later than October 1, 2010,] to determine whether the rates are reasonable in relation to the benefits provided. If the Commissioner determines that the rates are not reasonable, the Commissioner will adopt new rates. [which will become effective on October 1, 2011.]

5. Section 18, as renumbered and amended by the Legislative Counsel Bureau, is further amended as follows:

Sec. 18. All rates and forms for policies of credit insurance that are not in compliance with the provisions of sections 2 to 15, inclusive, of this regulation are void on July 1, 2007.[October 1, 2006.] No such rates or forms may be issued after July 1, 2007,[October 1, 2006,]unless they have been submitted to and approved by the Commissioner of Insurance not later than July 1, 2007,[August 1, 2006,] or unless a rider approved by the Commissioner after that date has been attached that brings the form into compliance with the provisions of sections 2 to 15, inclusive, of this regulation.

6. Section 18 is further amended as follows:

Sec. 18. This regulation becomes effective on April 1, 2007.[October 1, 2006.]

The Division will incur additional expense to enforce the proposed regulation when carriers file their new rates for review that cannot be measured at this time.

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

This amended informational statement includes the further amendments made pursuant to the recommendations of the Legislative Commission's Subcommittee to Review Regulations.

Very truly yours,

ALICE A. MOLASKY-ARMAN
Commissioner of Insurance

Enclosures
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STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
DIVISION OF INSURANCE

IN THE MATTER OF THE | CAUSE NO. **06.154**
LCB File No. **R014-06**

REGULATION REGARDING CONSUMER CREDIT INSURANCE.

AMENDED SUMMARY OF PROCEEDINGS AND AMENDED ORDER

SUMMARY OF PROCEEDINGS

A public workshop, as required by NRS 233B.061, on the proposed regulation concerning consumer credit insurance policies was held before Alice A. Molasky-Arman, Commissioner of Insurance, on March 16, 2006, in Carson City, Nevada, and video-conferenced to the Bradley Building in Las Vegas, Nevada. A public hearing on the proposed regulation was also held before the Commissioner of Insurance on March 16, 2006, in Carson City, Nevada, and video-conferenced to the Bradley Building in Las Vegas, Nevada. The regulation is proposed under the authority of NRS 679B.130, NRS 690A.093, NRS 690A.095, NRS 690A.093, NRS 690A.097 and NRS 690A.277.

The hearing was attended by 9 individuals. The following people provided testimony before the Hearing Officer: Becky Trenouth and Van Mouradian, representing the Division; and Jim Wadhams, representing Citigroup. The Department of Business and Industry, Division of Insurance (Division), received written comments from Merit Life Insurance Company, American Heritage Life Insurance Company and the Center for Economic Justice. These written comments were discussed during the workshop.

Ms. Trenouth testified that:

1. The proposed regulation amends chapter 690A of the Nevada Administrative Code (NAC) to address guidelines in transacting credit life, accident and health, and unemployment insurance. The guidelines are for consumer protection and address the reasonableness of benefits in relation to credit life, accident and health, and unemployment rates. Chapter 690A of the NAC is also amended to update the current regulations to be in compliance with Assembly Bill No. 338 of the 73rd Session of the Nevada Legislature, chapter 456, Statutes of Nevada 2005, at pages 2142 and 2143.
2. In the workshop preceding the hearing, Larry Diehl presented objections to the audit and reporting requirement and the record retention length. The Commissioner stated that there will be no additional expense to insurers as this requirement was in the repealed statute. There were no objections in the workshop to the changes to the LCB version that the Division has proposed.

3. The workshop included a summary of all comments received both from industry and from consumers or organizations representing consumers.
4. The Center for Economic Justice (The Center) provided comments regarding the rates and the allegation that consumer advocates were not given an opportunity to participate in this process. The Center for Economic Justice had the opportunity to participate and was provided information throughout the working group process and the regulation process well prior to the workshop and hearing. In the workshop, Van Mouradian testified that information and input was solicited from Birny Birnbaum of The Center for Economic Justice regarding the consumer credit rates throughout the rate development process.

The Commissioner ruled that the comments made by Mr. Birnbaum and the Center for Economic Justice must be addressed on the record, and are addressed as follows: (a) On November 30, 2005 a request from Jack Childress, Division Life and Health Section, was sent to Birny Birnbaum soliciting input regarding the consumer credit rates, along with the rates the Division was bringing to the working group as a starting point; (b) Mr. Birnbaum sent a response on December 2, 2005 with some suggestions and compliments regarding reduction of rates; (c) On December 7, 2005, additional general information regarding the rate development was sent to Mr. Birnbaum; (d) On January 3, 2006, the rating analysis provided by Keith Nelson, an independent actuary, was sent to Mr. Birnbaum, who responded that he would provide a detailed analysis as soon as possible; (e) On January 13, 2006, the rates developed by the working group were provided to Mr. Birnbaum. No comments regarding Mr. Nelson's analysis, or the rates, were provided by the Center for Economic Justice until the evening before the hearing, March 15, 2006. It is evident that the Center for Economic Justice and Birny Birnbaum had ample time and opportunity to provide input and participate in this public process of regulation drafting and prima facie rate development.

The Commissioner requested that the language in subsection 2 of Section 17 of the LCB draft of the regulation be changed back to the language provided in paragraph (a) of subsection 1 of Section 9 of the draft proposed by the Division.

Mr. Jim Wadhams testified that he felt the work done by the Division and the working group was significant. Mr. Wadhams also noted that: (a) this regulation does not set rates, but merely provides a level of rates available for minimal basis of filing; (b) differential rates can be filed either higher or lower; and (c) the regulation does not set rates as suggested by The Center for Economic Justice.

The Commissioner explained that she appreciated the comments and that the regulation is not to establish set rates. The Commissioner further explained that, in Nevada, we strive to make the regulation process a very public process and that the Division strives to give everyone an opportunity to participate in that process.

Based upon the written comments and testimony received at the hearing, it is recommended that the proposed regulation be revised as follows:

1. Section 1 is amended as follows:

Section 1. Chapter 690A of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to <u>15</u>[24,] inclusive, of this regulation.

2. Section 2 is amended as follows:

Sec. 2. As used in this chapter, unless the context otherwise requires, the words and terms defined in sections 3 to 7[16,] inclusive, of this regulation have the meanings ascribed to them in those sections.

3. Sections 4 through 11, inclusive, are deleted as follows:

[**Sec. 4.** "Commissioner" means the Commissioner of Insurance.

Sec. 5. "Credit accident and health insurance" has the meaning ascribed to it in NRS 690A.0135.

Sec. 6. "Credit disability insurance" means insurance issued on a debtor to provide indemnity for payments that become due on a specific loan or other credit transaction while the debtor is disabled, as that term is defined in the policy or certificate.4

Sec. 7. "Credit insurance" has the meaning ascribed to it in NRS 690A.015.

Sec. 8. "Credit life insurance" has the meaning ascribed to it in NRS 690A.016.

Sec. 9. "Credit transaction" has the meaning ascribed to it in NRS 690A.0163.

Sec. 10. "Creditor" has the meaning ascribed to it in NRS 690A.017.

Sec. 11. "Debtor" has the meaning ascribed to it in NRS 690A.018.]

4. Section 12 is renumbered as Section 4:

Sec. 4.[12.] "Indebtedness" means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction and includes the finance charge that is or will be assigned to the transaction.

5. Section 13 is deleted as follows:

[**Sec. 13.** "Net debt" has the meaning ascribed to it in NRS 690A.0243.]

6. Section 14 is renumbered as Section 5:

Sec. 5.[14.] "Outstanding balance basis" means premiums that are paid monthly using a rate per $1,000 of monthly outstanding insured indebtedness.

7. Section 15 is renumbered as Section 6:

Sec. 6.[15.] "Prima facie rate" means a rate that is deemed to be reasonable in relation to the benefits provided for credit insurance and may be used without filing additional actuarial information with the Commissioner.

8. Section 16 is renumbered as Section 7:

Sec. 7.[16.] "Single premium basis" means the present value of the monthly premiums that are charged over the term of a policy.

9. Section 17 is renumbered and amended as follows:

Sec. 8.[**17.**] 1. Except as otherwise provided in subsection 4 of section 13[22] of this regulation, the prima facie rate for credit life insurance shall be deemed reasonable in relation to the benefits provided[premium charged] and may be used without filing additional actuarial information with the Commissioner if the rate complies with the provisions of this section.

2. Single Premium Basis: If premiums are paid on a basis of a premium rate per hundred per annum of scheduled net debt, these premiums must be computed according

to the following formula[For credit life insurance, if the premium is charged on a single premium basis, the premium must be paid on the basis of a premium rate per hundred per annum of actual or scheduled net debt and must be calculated according to the formula set forth in this subsection] or according to a formula approved by the Commissioner that produces a rate that is actuarially consistent with the rates set forth in this section:[subsection 5:]

$NSPn,t = (1.02/13)*(t - a_n + a_{n-t})/(i * a_n)$

[

$$NSP_{n,t} = \frac{GSP_{12}}{10} \times \frac{20}{13} \times \frac{(t - a_{\overline{n|}} + a_{\overline{n-t|}})}{i \times a_{\overline{n|}}}$$

]

Where:

"$NSP_{n,t}$" = Single premium net balance rate per \$100 of initial insured indebtedness for "t" months.

["GSP_{12}" = Single premium gross decreasing rate per \$100 of initial gross indebtedness per annum.]

"n" = Term of loan.

"t" = Term of insurance.

"i" = Monthly interest rate.

"**a_n** [$a_{\overline{n|}}$]"= Present value of an annuity due of \$1 for a period of "n" months at interest rate "i."

"**a_{n-t}**[$a_{\overline{n-t|}}$]" = Present value of an annuity due of \$1 for a period of "n-t" months at interest rate "i."

3. For single credit life insurance, if the premium is charged on a[:

(a) A] monthly outstanding balance basis, the rate must be 82 cents per month per \$1,000 of outstanding insured indebtedness.

[(b) A gross decreasing balance basis, the rate must be 51 cents per annum per \$100 of initial gross indebtedness.]

4. If credit life insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.54.

5. For [accidental death or] dismemberment insurance, if the premium is charged on:

(a) A single premium basis, the rate must be 5 cents per \$100 of insurance per annum for single life insurance and 10 cents per \$100 of insurance per annum for joint life insurance.

(b) A monthly outstanding balance basis, the rate must be 8 cents per month per \$1,000 of outstanding insured indebtedness on single life insurance and 16 cents per month per \$1,000 of outstanding insured indebtedness on joint life insurance.

[(c) A joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 2.]

6. If the benefits provided are different from the benefits described in this section, [subsections 1 to 5, inclusive,] the premium rates for those benefits must be actuarially consistent with the rates set forth in subsections 2 to 5, inclusive, and must be approved by the Commissioner before those rates may be used.

7. The rates in this section may be used only if the coverage issued in conjunction with those rates does not include an exception for a preexisting condition. If the coverage includes an exception for a preexisting condition as specified in paragraphs (a) and (b) of subsection 2[1] of section 11[20] of this regulation, an insurer may file for approval for lower rates in the manner prescribed in section 13[22] of this regulation.

8. The rates set forth in this section apply to a policy of credit life insurance that is offered to a debtor if the policy includes:

(a) Coverage for death caused by any means, except that coverage may exclude death resulting from:

(1) War or any act of war;

(2) Suicide within 2 years after the effective date of the coverage; or

[(3) A preexisting condition, unless the preexisting condition causes or substantially contributes to a death and the death occurs within 6 months after the effective date of coverage.]

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

(c) A provision that prohibits coverage from becoming effective after the debtor attains:

(1) The age of 66 years and requires that all insurance for the debtor will terminate when the debtor attains the of age 70[72] years; or

(2) The age of 68 years and requires that all insurance for the debtor will terminate when the debtor attains the age of 72 years. If such a provision is included, prima facie rates for credit life insurance may be increased by 5.9 percent and shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.

9. As used in this section:

(a) “Joint life insurance” means credit life insurance issued to two debtors who are jointly and severally liable for the indebtedness.

(b) “Single life insurance” means credit life insurance issued to one debtor who is liable for the indebtedness.

10. Section 18 is renumbered and amended as follows:

Sec. 9.[18.] 1. Except as otherwise provided in section 13[22] of this regulation, a prima facie rate for credit accident and health[disability] insurance shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner if the prima facie rate complies with the provisions of this section.

2. If the premium is charged on a single premium basis, the prima facie rate per $100 of initial insured debt for credit accident and health insurance must comply with the

provisions of this subsection. Rates for monthly periods that are different from the rates set forth in this subsection must be interpolated or extrapolated.

Term of Loan in Months	Prospective Benefits		Retroactive Benefits		
	14-Day	30-Day	7-Day	14-Day	30-Day
1 to 12	1.04	.59	2.22	1.63	1.26
13 to 24	1.63	1.19	2.96	2.22	1.85
25 to 36	2.22	1.78	3.70	2.82	2.44
37 to 48	2.59	2.15	4.45	3.19	2.82
49 to 60	2.89	2.44	5.19	3.48	3.11
61 to 72	3.19	2.74	5.93	3.78	3.41
73 to 84	3.48	3.04	6.67	4.07	3.70
85 to 96	3.78	3.33	7.41	4.37	4.00
97 to 108	4.07	3.63	8.15	4.67	4.30
109 to 120	4.37	3.93	8.89	4.96	4.59
121 to 132	4.67	4.22	9.63	5.26	4.89
133 to 144	4.96	4.52	10.37	5.56	5.19
145 to 156	5.26	4.82	11.11	5.85	5.48
157 to 168	5.56	5.11	11.85	6.15	5.85
169 to 180	5.85	5.26	12.60	6.52	6.15

3. For single credit accident and health insurance, if the premium is charged on the basis of a premium rate per month per $1,000 of outstanding insured debt, the prima facie rate per $1,000 must comply with the provisions of this subsection. Rates for monthly periods that are different from the rates set forth in this subsection must be interpolated or extrapolated.

Term of Loan in Months	Prospective Benefits		Retroactive Benefits		
	14-Day	30-Day	7-Day	14-Day	30-Day
1 to 12	1.59	.91	3.42	2.50	1.94
13 to 24	1.30	.95	2.37	1.78	1.48
25 to 36	1.20	.96	2.00	1.52	1.32
37 to 48	1.06	.87	1.82	1.30	1.15
49 to 60	.95	.80	1.70	1.14	1.02
61 to 72	.87	.75	1.62	1.04	.93
73 to 84	.82	.71	1.57	.96	.87
85 to 96	.78	.69	1.53	.90	.82
97 to 108	.75	.67	1.50	.86	.79
109 to 120	.73	.65	1.47	.82	.76

4. If the coverage provided is a constant maximum indemnity for a specific period, the actuarial equivalent of subsections 2 and 3 must be used.

5. If the coverage provided is a combination of a constant maximum indemnity for a specific period 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 specific period and the premium rate for a maximum indemnity which decreases in even amounts per month must be used.

6. The outstanding balance rate for credit accident and health insurance may be a term- specified rate or a rate paid on an outstanding balance basis for an average of the single rates if the Commissioner finds that the single rate is actuarially consistent with the rates set forth in subsection 3.

7. The prima facie rates and the formulas used to calculate the rates for credit accident and health insurance set forth in subsections 2 and 3 shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner if the insurance is issued for an open-end credit agreement. Any other formula used to convert from a closed-end credit rate to an open-end credit rate may be used if approved by the Commissioner.

8. If the maximum benefit of the credit <u>accident and health</u>[disability] insurance equals the net debt on the date of disability, the term of the loan must be calculated according to the following formula:

$$\underline{n =}\ 1/(\text{minimum payment percent})$$

The prima facie rate must be determined by applying the calculated term to the rates set forth in subsections 2 and 3. A composite percentage may be used in place of the minimum payment percentage for a specific credit transaction.

9. If the maximum benefit of the credit <u>accident and health</u>[disability] insurance equals the outstanding balance of the loan on the date of disability plus any interest accruing on that amount during the period of disability, the term of the insurance 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.

"n" = Term of the insurance.

"x" = Monthly payment per $1,000 of coverage that is established for a term of insurance calculated in this subsection.

"v" = 1/(1 + i).

The calculated value of the term of insurance must be used to determine an initial rate set forth in subsections 2 and 3. The final prima facie rate must be calculated by multiplying the initial rate by the adjustment by using the following formula:

$$n/a_n$$

Where:

"n" = the term of insurance calculated in this subsection.

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

10. If the credit accident and health insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.85.

11. If the benefits provided under a policy of credit accident and health insurance are different from the benefits described in this section, the rates for those benefits must be actuarially consistent with the rates set forth in this section.

12. As used in this section:

(a) "Composite interest rate" means an average of all interest rates offered by a creditor of an insurer.

(b) "Composite percentage" means the average of all minimum payment percentages for a specific credit transaction.

[(c) "Open-end credit" has the meaning ascribed to it in NRS 690A.0247.]

11. Section 19 is renumbered and amended as follows:

Sec. 10.[19.] The rates set forth in subsections 2 and 3 of section 9[18] of this regulation apply to a policy of credit accident and health insurance that is offered to a debtor if the policy includes:

1. Coverage for disability caused by any means, 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 controlled substances 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 commercially scheduled aircraft; or

(g) A preexisting condition.

2. For the exclusion set forth in paragraph (g) of subsection 1, 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:

(a) For the first 12 months of disability, total disability means the inability to perform the essential functions of the insured's occupation.

(b) After the first 12 months of disability, total disability means the inability of the insured to perform the essential functions of any occupation for which he is reasonably suited because of education, training or experience.

4. A provision that is not more restrictive than a provision that requires the debtor to be employed full-time on the effective date of coverage and for at least 12 consecutive months before the effective date of coverage.

5. A provision that prohibits coverage from becoming effective for a debtor after the debtor attains:

(a) The age of 66 years and requires that all insurance for the debtor will terminate when the debtor attains the age of 70 years; or

(b) The age of 68 years and requires that all insurance will terminate when the debtor attains the age of 72 years. If such a provision is included, prima facie rates for credit accident and health[disability] insurance may be increased by 1.8 percent and shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.

6. A daily benefit of not less than one-thirtieth of the monthly benefit payable under the policy.

12. Section 20 is renumbered and amended as follows:

Sec. 11.[20.] 1. The rates set forth in section 9[18] of this regulation may be used only if the policy issued using those rates does not include an exception for a preexisting condition except for a condition that:

(a) Requires medical diagnosis or treatment within the 6 months immediately preceding the effective date of coverage; and

(b) Causes disability that begins within 6 months after the effective date of coverage.

2. If credit life insurance includes an exception for a preexisting condition, the rates shall not include an exception for a preexisting condition except for a condition that:

(a) Requires medical diagnosis or treatment within 6 months immediately preceding the effective date of coverage; and

(b) Causes death that occurs within 6 months after the effective date of coverage.

3.[2.] If the policy issued using the rates set forth in section 9[18] of this regulation does not include an exception for a preexisting condition as specified in paragraphs (a) and (b) of subsection 1, an insurer may file for approval for higher rates in the manner prescribed in section 13[22] of this regulation.

13. Section 21 is renumbered and amended as follows:

Sec. 12.[21.] 1. Each insurer who files rates with the Commissioner for credit unemployment insurance must include in its filing the formula upon which its rates are based.

2. (a) The rates shall be deemed reasonable if the rates do not exceed $1 for $100 of insurance per annum and must be paid on a single premium basis.

(b) If the company adopts a schedule graduated according to the size of the group, the rates are allowable if they approximate a standard of $1 as indicated in paragraph (a).

3. If the credit unemployment insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.85.

4. Contracts providing credit unemployment insurance shall contain the provisions below:

(a) To be eligible for loss of income benefits, the debtor must verify that he was registered or filed with:

(1) His state's unemployment office; or

(2) A recognized employment agency;

[A debtor is eligible to receive payments under a claim for loss of employment income if the policy of credit unemployment insurance includes a requirement that:

(a) The debtor must provide proof that he has:

(1) Filed a claim for benefits with the Employment Security Division of the Department of Employment, Training and Rehabilitation; or

(2) Registered with an employment agency licensed pursuant to chapter 611 of NRS;]

(b) If the debtor registers with an employment agency, the registration must:

(1) Begin not later than 30 days after the date of involuntary unemployment; and

(2) Continue for the entire period of the claim; and

(c) The debtor must be reeligible for unemployment benefits after the completion of payments under a claim for loss of employment income if he was employed:

(1) On a full-time basis in a nonseasonal occupation;

(2) For 30 consecutive days; and

(3) By the same employer.

5. A policy of credit unemployment insurance must not include eligibility requirements more restrictive than an age restriction providing that no insurance will become effective for a debtor after the debtor attains:

(a) The age of 66 years and that all insurance for the debtor will terminate when the debtor attains the age of 70 years; or

(b) The age of 68 years and that all insurance for the debtor will terminate when the debtor attains the age of 72 years. If such a provision is included, a premium adjustment is not required and the prima facie rates for credit unemployment insurance shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.

[6. As used in this section, "credit unemployment insurance" has the meaning ascribed to it in NRS 690A.0167.]

14. Section 22 is renumbered and amended as follows:

Sec. <u>13.</u>[22.] 1. An insurer may file for approval by the Commissioner to use rates that are higher than the prima facie rates set forth in sections <u>8 to 12,</u>[17 to 21], inclusive, of this regulation, if the rates are reasonable in relation to the benefits provided. If rates higher than the prima facie rates set forth in sections <u>8 to 12,</u>[17 to 21], inclusive, of this regulation are filed for approval, the filing must specify the account to which the rates apply. The rates must be:

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

(b) Applied on an equitable basis, as approved by the Commissioner, to any account of the insurer for which the experience has been less favorable than expected; or

(c) Applied according to the insurer's application for approval of rates filed with the Commissioner.

2. A rate that is different from the prima facie rate 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 may not file more than once during any 12-month period.

3. If an account changes insurers, the rate approved 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 period approved for the prior insurer or until a new rate is approved for use on the account, whichever occurs earlier.

4. An insurer may use a rate for an account that is lower than its filed rate without notifying the Commissioner unless the rate applies to credit life insurance. If the rates for credit life insurance are lower than the prima facie rates set forth in section <u>8</u>[17] of this

regulation, an insurer may file for approval for lower rates in the manner prescribed in subsections 1 and 2.

15. Section 23 is renumbered as Section 14:

Sec. <u>14.</u>[23.] 1. If an insurer specifies the formula for a refund in an individual policy or certificate of group insurance filed for approval by the Commissioner and the filing is acknowledged and not disapproved by the Commissioner, the formula may be used. A formula for a refund which is the sum of the amounts for each remaining period for payment of the obligation, calculated by multiplying the amount paid as the premium by a fraction which has a denominator equal to the sum of the total number of periods for payment of the obligation and a numerator equal to the sum of the remaining number of periods, may be referred to as the "sum-of-the-digits" formula.

2. The following methods may be used to determine the amount of a refund for the following types of insurance:

(a) For a premium for credit insurance, if the premium is paid on a single premium basis, the refund must be calculated by the sum-of-the-digits formula.

(b) For a premium for credit insurance, if the premium is payable other than on the single premium basis, the refund must equal the prorated unearned gross premium.

3. An insurer may calculate a refund on a daily or monthly basis. The insurer shall indicate the basis used when the insurer files the formula for calculating refunds for approval by the Commissioner. A refund may be calculated on an approximate daily basis by interpolating proportionately between the values at the beginning and at the end of the month. Each month shall be deemed to have 30 days. If a refund is calculated on a monthly basis, a charge may not be made for a period which is less than 16 days after the date the last monthly installment was due, but may be made for the entire month if the period is 16 days or more.

16. Section 24 is renumbered and amended as follows:

Sec. <u>15.</u>[24.] 1. Each insurer who engages in the business of credit insurance in this State shall conduct:

(a) An annual audit of all payments for claims made on its behalf by an administrator, claim representative or group policyholder.

(b) A review of each of its accounts for creditors with respect to the business of credit insurance of the creditor to ensure compliance with the Nevada Insurance Code and the regulations adopted pursuant thereto. The initial review must be conducted not later than March 1, 2008, or the date of the initial credit transaction between the creditor and the insurer, whichever is later. After the initial review, the review must be conducted every 24 months.

2. The audit or review must include, if applicable, a determination that:

(a) The proper charges to debtors for premiums are made by the creditor and remitted to the insurer in a timely manner.

(b) The refunds are being calculated accurately and paid promptly by the creditor.

(c) All claims and inquiries concerning claims are filed promptly and handled properly.

(d) Amounts of insurance payable on death, in excess of the amounts necessary to extinguish the indebtedness, are properly calculated and reported to the secondary beneficiary of the policy.

(e) The creditor is promptly and fairly processing complaints concerning its business of credit insurance and is maintaining proper procedures for and records of the complaints processed.

3. The insurer shall retain the written results of the audit or review at its home office for at least 7 years after the date of the completion of the audit or review by the insurer.

4. The insurer shall pay the cost of the audit or review, and the cost may not be chargeable against any creditor, producer or other entity.

5. In addition to any other authority granted to the Commissioner pursuant to chapter 679B of NRS, if the Commissioner determines that an audit or review required pursuant to this section is not being conducted or that there is reason to believe that the audit or review is not complete or is deficient, the Commissioner may cause an audit or review to be conducted by the Division of Insurance of the Department of Business and Industry or an independent auditor. The insurer shall pay the cost of the audit or review.

[6. As used in this section, "producer" means any person licensed pursuant to chapter 683A of NRS who sells or offers for sale a policy of credit insurance directly to a debtor.]

17. Section 25 is renumbered and amended as follows:

Sec. <u>16.</u>[25.] The Commissioner shall review the prima facie rates for credit life insurance, credit <u>accident and health</u>[disability] insurance and <u>credit</u>[involuntary] unemployment insurance not later than September 1, <u>2010,</u>[2009,] to determine whether the rates are reasonable in relation to the benefits provided. If the Commissioner determines that the rates are not reasonable, the Commissioner will adopt new rates which will become effective on September 1, <u>2011.</u>[2010.]

18. Section 26 is renumbered and amended as follows:

Sec. <u>17.</u>[26.] All rates and forms for policies of credit insurance that are not in compliance with the provisions of sections 2 to <u>15,</u>[24,] inclusive, of this regulation are void on September 1, 2006. No such rates or forms may be issued after September 1, 2006, unless they have been submitted to and approved by the Commissioner of Insurance not later than July 1, 2006, or unless a rider approved by the Commissioner after that date has been attached that brings the form into compliance with the provisions of sections 2 to <u>15,</u>[24,] inclusive, of this regulation.

19. Section 27 is renumbered as Section 18:

Sec. <u>18.</u>[27.] This regulation becomes effective on September 1, 2006.

<u>AMENDMENT</u>

This Summary of Proceedings has been amended because the Legislative Commission's Subcommittee to Review Regulations did not approve the original R014-06. The Commissioner's further amendments are sequential as follows:

1. Section 8 is further amended as follows:

Sec. 8. 1. Except as otherwise provided in subsection 4 of section 13 of this regulation, the prima facie rate for credit life insurance shall be deemed reasonable in relation to the benefits provided_and may be used without filing additional actuarial information with the Commissioner if the rate complies with the provisions of this section.

2. Single Premium Basis: If premiums are paid on a basis of a premium rate per hundred per annum of scheduled net debt, these premiums must be computed according to the following formula or according to a formula approved by the Commissioner that produces a rate that is actuarially consistent with the rates set forth in this section:

$NSPn,t = (\underline{0.94}[1.02]/13)*(t – a_n + a_{n-t})/(i* a_n)$

Where:

"$NSP_{n,t}$" = Single premium net balance rate per $100 of initial insured indebtedness for "t" months.

"n" = Term of loan.

"t" = Term of insurance.

"i" = Monthly interest rate.

"a_n" = Present value of an annuity <u>immediate</u>[due] of $1 for a period of "n" months at interest rate "i."

"a_{n-t}" = Present value of an annuity <u>immediate</u>[due] of $1 for a period of "n-t" months at interest
rate "i."

3. For single credit life insurance, if the premium is charged on a monthly outstanding balance basis, the rate must be <u>75</u>[82] cents per month per $1,000 of outstanding insured indebtedness.

4. If credit life insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.54.

5. For dismemberment insurance, if the premium is charged on:

(a) A single premium basis, the rate must be 5 cents per $100 of insurance per annum for single life insurance and 10 cents per $100 of insurance per annum for joint life insurance.

(b) A monthly outstanding balance basis, the rate must be 8 cents per month per $1,000 of outstanding insured indebtedness on single life insurance and 16 cents per month per $1,000 of outstanding insured indebtedness on joint life insurance.

6. If the benefits provided are different from the benefits described in this section, the premium rates for those benefits must be actuarially consistent with the rates set forth in subsections 2 to 5, inclusive, and must be approved by the Commissioner before those rates may be used.

7. The rates in this section may be used only if the coverage issued in conjunction with those rates does not include an exception for a preexisting condition. If the coverage includes an exception for a preexisting condition as specified in paragraphs (a) and (b) of subsection 2_of section 11 of this regulation, an insurer may file for approval for lower rates in the manner prescribed in section 13 of this regulation.

8. The rates set forth in this section apply to a policy of credit life insurance that is offered to a debtor if the policy includes:

(a) Coverage for death caused by any means, except that coverage may exclude death resulting from:

(1) War or any act of war;

(2) Suicide within 2 years after the effective date of the coverage; or

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

(c) A provision that prohibits coverage from becoming effective after the debtor attains:

(1) The age of 66 years and requires that all insurance for the debtor will terminate when the debtor attains the of age 70 years; or

(2) The age of 68 years and requires that all insurance for the debtor will terminate when the debtor attains the age of 72 years. If such a provision is included, prima facie rates for credit life insurance may be increased by 5.9 percent and shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.

9. As used in this section:

(a) “Joint life insurance” means credit life insurance issued to two debtors who are jointly and severally liable for the indebtedness.

(b) “Single life insurance” means credit life insurance issued to one debtor who is liable for the indebtedness.

2. Section 9 is further amended as follows:

Sec. 9. 1. Except as otherwise provided in section 13 of this regulation, a prima facie rate for credit accident and health insurance shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner if the prima facie rate complies with the provisions of this section.

2. If the premium is charged on a single premium basis, the prima facie rate per $100 of initial insured debt for credit accident and health insurance must comply with the provisions of this subsection. Rates for monthly periods that are different from the rates set forth in this subsection must be interpolated or extrapolated.

Term of Loan in Months	Prospective Benefits		Retroactive Benefits		
	14-Day	30-Day	7-Day	14-Day	30-Day
1 to 12	$0.96[1.04]	$0.55[.59]	$2.06[2.22]	$1.51[1.63]	$1.17[1.26]
13 to 24	1.51[1.63]	1.10[1.19]	2.75[2.96]	2.06[2.22]	1.72[1.85]
25 to 36	2.06[2.22]	1.65[1.78]	3.44[3.70]	2.61[2.82]	2.27[2.44]
37 to 48	2.40[2.59]	1.99[2.15]	4.12[4.45]	2.95[3.19]	2.61[2.82]
49 to 60	2.68[2.89]	2.27[2.44]	4.81[5.19]	3.23[3.48]	2.89[3.11]
61 to 72	2.95[3.19]	2.54[2.74]	5.50[5.93]	3.50[3.78]	3.16[3.41]

73 to 84	3.23[3.48]	2.82[3.04]	6.18[6.67]	3.78[4.07]	3.44[3.70]
85 to 96	3.50[3.78]	3.09[3.33]	6.87[7.41]	4.05[4.37]	3.71[4.00]
97 to 108	3.78[4.07]	3.37[3.63]	7.56[8.15]	4.33[4.67]	3.98[4.30]
109 to 120	4.05[4.37]	3.64[3.93]	8.24[8.89]	4.60[4.96]	4.26[4.59]
121 to 132	4.33[4.67]	3.92[4.22]	8.93[9.63]	4.88[5.26]	4.53[4.89]
133 to 144	4.60[4.96]	4.19[4.52]	9.6210.37]	5.15[5.56]	4.81[5.19]
145 to 156	4.88[5.26]	4.47[4.82]	10.31[11.11]	5.43[5.85]	5.08[5.48]
157 to 168	5.15[5.56]	4.74[5.11]	10.99[11.85]	5.70[6.15]	5.43[5.85]
169 to 180	5.43[5.85]	4.88[5.26]	11.66[12.60]	6.05[6.52]	5.70[6.15]

3. For single credit accident and health insurance, if the premium is charged on the basis of a premium rate per month per $1,000 of outstanding insured debt, the prima facie rate per $1,000 must comply with the provisions of this subsection. Rates for monthly periods that are different from the rates set forth in this subsection must be interpolated or extrapolated.

Term of Loan in Months	Prospective Benefits		Retroactive Benefits		
	14-Day	30-Day	7-Day	14-Day	30-Day
1 to 12	$1.48[1.59]	$0.85[.91]	$3.17[3.42]	$2.32[2.50]	$1.80[1.94]
13 to 24	1.21[1.30]	0.88[.95]	2.20[2.37]	1.65[1.78]	1.37[1.48]
25 to 36	1.11[1.20]	0.89[.96]	1.85[2.00]	1.41[1.52]	1.22[1.32]
37 to 48	0.98[1.06]	0.81[.87]	1.68[1.82]	1.21[1.30]	1.06[1.15]
49 to 60	0.88[.95]	0.74[.80]	1.58[1.70]	1.06[1.14]	0.95[1.02]
61 to 72	0.81[.87]	0.69[.75]	1.50[1.62]	0.96[1.04]	0.87[.93]
73 to 84	0.76[.82]	0.66[.71]	1.46[1.57]	0.89[.96]	0.81[.87]
85 to 96	0.72[.78]	0.64[.69]	1.42[1.53]	0.84[.90]	0.76[.82]
97 to 108	0.69[.75]	0.62[.67]	1.39[1.50]	0.80[.86]	0.73[.79]
109 to 120	0.67[.73]	0.60[.65]	1.36[1.47]	0.76[.82]	0.70[.76]

4. If the coverage provided is a constant maximum indemnity for a specific period, the actuarial equivalent of subsections 2 and 3 must be used.

5. If the coverage provided is a combination of a constant maximum indemnity for a specific period 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 specific period and the premium rate for a maximum indemnity which decreases in even amounts per month must be used.

6. The outstanding balance rate for credit accident and health insurance may be a term- specified rate or a rate paid on an outstanding balance basis for an average of the single rates if the Commissioner finds that the single rate is actuarially consistent with the rates set forth in subsection 3.

7. The prima facie rates and the formulas used to calculate the rates for credit accident and health insurance set forth in subsections 2 and 3 shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial

information with the Commissioner if the insurance is issued for an open-end credit agreement. Any other formula used to convert from a closed-end credit rate to an open-end credit rate may be used if approved by the Commissioner.

8. If the maximum benefit of the credit accident and health insurance equals the net debt on the date of disability, the term of the loan must be calculated according to the following formula:

n = 1/(minimum payment percent)

The prima facie rate must be determined by applying the calculated term to the rates set forth in subsections 2 and 3. A composite percentage may be used in place of the minimum payment percentage for a specific credit transaction.

9. If the maximum benefit of the credit accident and health insurance equals the outstanding balance of the loan on the date of disability plus any interest accruing on that amount during the period of disability, the term of the insurance 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.

"n" = Term of the insurance.

"x" = Monthly payment per $1,000 of coverage that is established for a term of insurance calculated in this subsection.

"v" = 1/(1 + i).

The calculated value of the term of insurance must be used to determine an initial rate set forth in subsections 2 and 3. The final prima facie rate must be calculated by multiplying the initial rate by the adjustment by using the following formula:

n/a_n

Where:

"n" = the term of insurance calculated in this subsection.

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

10. If the credit accident and health insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.85.

11. If the benefits provided under a policy of credit accident and health insurance are different from the benefits described in this section, the rates for those benefits must be actuarially consistent with the rates set forth in this section.

12. As used in this section:

(a) "Composite interest rate" means an average of all interest rates offered by a creditor of an insurer.

(b) "Composite percentage" means the average of all minimum payment percentages for a specific credit transaction.

3. Section 13, as renumbered and amended by the Legislative Counsel Bureau, is further amended as follows:

Sec. 13. 1. Each insurer who files rates with the Commissioner for credit unemployment insurance must include in its filing the formula upon which its rates are based.

2. (a) The rates shall be deemed reasonable if the rates do not exceed $0.95[1] for $100 of insurance per annum and must be paid on a single premium basis.

(b) If the company adopts a schedule graduated according to the size of the group, the rates are allowable if they approximate a standard of $1 as indicated in paragraph (a).

3. If the credit unemployment insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.85.

4. Contracts providing credit unemployment insurance shall contain the provisions below:

(a) To be eligible for loss of income benefits, the debtor must verify that he was registered or filed with:

(1) His state's unemployment office; or

(2) A recognized employment agency;

[A debtor is eligible to receive payments under a claim for loss of employment income if the policy of credit unemployment insurance includes a requirement that:

(a) The debtor must provide proof that he has:

(1) Filed a claim for benefits with the Employment Security Division of the Department of Employment, Training and Rehabilitation; or

(2) Registered with an employment agency licensed pursuant to chapter 611 of NRS;]

(b) If the debtor registers with an employment agency, the registration must:

(1) Begin not later than 30 days after the date of involuntary unemployment; and

(2) Continue for the entire period of the claim; and

(c) The debtor must be reeligible for unemployment benefits after the completion of payments under a claim for loss of employment income if he was employed:

(1) On a full-time basis in a nonseasonal occupation;

(2) For 30 consecutive days; and

(3) By the same employer.

5. A policy of credit unemployment insurance must not include eligibility requirements more restrictive than an age restriction providing that no insurance will become effective for a debtor after the debtor attains:

(a) The age of 66 years and that all insurance for the debtor will terminate when the debtor attains the age of 70 years; or

(b) The age of 68 years and that all insurance for the debtor will terminate when the debtor attains the age of 72 years. If such a provision is included, a premium adjustment is not required and the prima facie rates for credit unemployment insurance shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.

[6. As used in this section, "credit unemployment insurance" has the meaning ascribed to it in NRS 690A.0167.]

4. Section 17, as renumbered and amended by the Legislative Counsel Bureau, is further amended as follows:

> **Sec. 17.** The Commissioner shall require the providers of consumer credit insurance to provide annual experience data on an annual basis beginning in 2008. The Commissioner shall use this information to review the prima facie rates for credit life insurance, credit accident and health insurance and credit unemployment insurance [not later than October 1, 2010,] to determine whether the rates are reasonable in relation to the benefits provided. If the Commissioner determines that the rates are not reasonable, the Commissioner will adopt new rates. [which will become effective on October 1, 2011.]

5. Section 18, as renumbered and amended by the Legislative Counsel Bureau, is amended as follows:

> **Sec. 18.** All rates and forms for policies of credit insurance that are not in compliance with the provisions of sections 2 to 15, inclusive, of this regulation are void on July 1, 2007.[October 1, 2006.] No such rates or forms may be issued after July 1, 2007,[October 1, 2006,]unless they have been submitted to and approved by the Commissioner of Insurance not later than July 1, 2007,[August 1, 2006,] or unless a rider approved by the Commissioner after that date has been attached that brings the form into compliance with the provisions of sections 2 to 15, inclusive, of this regulation.

6. Section 18 is further amended as follows:

> **Sec. 18.** This regulation becomes effective on April 1, 2007.[October 1, 2006.]

AMENDED ORDER OF THE COMMISSIONER

Having reviewed the record in this matter, including the further amendments made pursuant to the recommendations of the Legislative Commission's Subcommittee to Review Regulations, it is hereby ordered that the proposed regulation regarding consumer credit insurance, LCB File No. R014-06, be adopted, as amended, including the further amendments made pursuant to the recommendations of the Legislative Commission's Subcommittee to Review Regulations, as a permanent regulation of the Division.

SO ORDERED this _______ day of March, 2007.

ALICE A. MOLASKY-ARMAN
Commissioner of Insurance