LCB File No. R145-08

PROPOSED REGULATION OF THE COMMISSIONER OF INSURANCE

PROPOSED REGULATION CONCERNING CONSUMER CREDIT INSURANCE

AUTHORITY: NRS 679B.130, 690A.277 and 690A.093.

A REGULATION relating to insurance, establishing the rates and requirements for policies of consumer credit insurance.

Section 1. ***Chapter 690A of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 11, inclusive, of this regulation.***

Sec. 2. As used in NAC 690A.005 to 690A.185, inclusive, and sections 3 to 18, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in NAC 690A.005 to 690A.018, inclusive, and section 3 of this regulation have the meanings ascribed to them in those sections.

Sec. 3. For the purpose of sections 3 to 17, inclusive, of this regulation, "Dismemberment" means at a minimum, the actual loss of use of a hand or foot or irrecoverable loss of sight of an eye.

Sec. 4. Other kinds of credit life insurance, including balloon payments may be used if those kinds are consistent with the provisions of this section.

All companies wishing to provide credit life insurance coverage shall certify in writing, that the credit life insurance policy is in compliance with the terms of NRS 690A.045 and

does not include unearned interest. This certification shall be signed by a company officer as well as a qualified actuary and filed with the Commissioner before that coverage can be offered in the State of Nevada.

***Sec. 5.** No covered loan may include financing of premiums for any credit life insurance coverage. Monthly premiums dare not considered to be financed by the proceeds.*

***Sec. 6.** For truncated credit life insurance coverage, prima facie rates shall be adjusted using critical period factors approved by the Commissioner.*

***Sec. 7.** For truncated credit accident and health insurance coverage, prima facie rates shall be adjusted using critical period factors approved by the Commissioner.*

***Sec. 8.** For truncated credit involuntary unemployment insurance coverage, prima facie rates shall be adjusted using critical period factors approved by the Commissioner.*

***Sec. 9.** The following notice must appear in bold print on the face of the individual policy or certificate of truncated consumer credit insurance:*

***NOTICE:** The benefit in this policy may not completely pay off your loan. If the term of your loan is longer than the term of this insurance, the benefit is only payable if death, disability or unemployment, as applicable, occurs during the term of the insurance. Credit accident and health insurance will not be paid for any period of disability continuing after*

the termination date shown in the schedule. Credit unemployment insurance benefits will not be paid for any period of unemployment continuing after the termination date shown on the schedule.

Sec. 10. Deviated rates for credit life, credit accident and health and credit unemployment insurance approved by the Commissioner shall not be applied to any debtor with a closed-end loan whose coverage is already in force on the effective date of the deviation.

Sec. 11. A policy of credit unemployment insurance may not include coverage for unemployment due to leave taken in accordance with the Federal Family Medical Leave Act 29 USC 2602 et seq.

Sec 12. NAC 690A.090 is hereby amended to read as follows:

1. If an insurer specifies the formula***, in accordance with subsection 3 below,*** 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. 13. NAC 690A.105 is hereby amended to read as follows:

1. Except as otherwise provided in subsection 4 of NAC 690A.165, 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 this section:

$NSP_{n,t} = (.94/13)X(t - a_n + a_{n-t})/(i X a_n)$

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]~~ 72 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 NAC 690A.115, an insurer may file for approval for lower rates in the manner prescribed in NAC 690A.165.

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.

Sec. 14. NAC 690A.125 is hereby amended to read as follows:

1. Except as otherwise provided in NAC 690A.165, 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
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
13 to 24	1.11	0.89	1.85	1.41	1.22
25 to 36	1.21	0.88	2.20	1.65	1.37
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	.070

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 an ~~[closed-end]~~ ***open-end*** credit rate to a~~[n open-end]~~ ***closed-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" = 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.

Sec. 15. NAC 690A.145 is hereby amended to read as follows:

1. The rates for a policy of credit accident and health insurance set forth in NAC 690A.125 may be used only if the policy issued using those rates ~~[does not include]~~ ***excludes*** coverage for a preexisting condition ~~[except for a condition that:]~~ ***For the purpose of this section, a pre-existing condition is one 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 NAC 690A.125 does not ~~[include]~~ ***exclude*** 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 NAC 690A.165.

3. With respect to coverage such as monthly outstanding balance coverage, that permit increases in the amount of coverage after the initial effective date of the individual policy or group certificate, the suicide exclusion and the preexisting condition exclusion, if any, may be applied separately with respect to each increase in the amount of the coverage from the date of and in the amount of the increase. Under no circumstances, however, may a

new pre-existing condition limitation or new suicide exclusion be applied to coverage in force immediately prior to such increase in coverage.

Sec. 16. NAC 690A.155 is hereby amended to read as follows:

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. The rates shall be deemed reasonable if the rates do not exceed $0.79 for $1,000 of remaining principal balance on a monthly outstanding balance basis.

4. The rates shall be deemed reasonable if the rates do not exceed $0.67 per $1,000 of remaining payments on a monthly outstanding balance basis.

5. For 90 day lump sum benefits, the rates shall be deemed reasonable if the rates do not exceed $ 1.23 per $100 initial gross indebtedness per year on a single premium basis.

6. For 90 day lump sum benefits, the rates shall be deemed reasonable if the rates do not exceed $ 1.03 per $1,000 of remaining principal balance on a monthly outstanding balance basis.

7. For 90 day lump sum benefits, the rates shall be deemed reasonable if the rates do not exceed $ 0.86 per $1,000 of remaining payments on a monthly outstanding balance basis.

~~[3]~~ ***8***. If an insurer files rates graduated according to the size of the group, the rates shall be deemed reasonable if the rates approximate ~~[a]~~ the standard***s*** as set forth in subsection***s 2***

through 10. The insurer shall submit an actuarial memorandum to support the claim that the rates approximate the standards set forth in subsections 2 through 10.

~~[4]~~ ***9.*** 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]~~ ***10.*** 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 same 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]~~ ***11.*** 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. 17. NAC 690A.165 is hereby amended to read as follows:

1. An insurer may file for approval by the Commissioner to use rates that are higher than the prima facie rates set forth NAC 690A.105 to 690A.155, inclusive, if the rates are reasonable in relation to the benefits provided. If rates higher than the prima facie rates set forth in NAC 690A.105 to 690A.155, inclusive, 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. ***All filings for rates that are higher than the prima facie rate set forth in NAC 690A.105 to 690A.155, inclusive, must be accompanied by sufficient supporting documentation, which shall include, at a minimum:***

(a) Experience of earned premiums, incurred losses and calculated loss ratios for the prior three years, or all available experience, if less than three years. Rates and rating data must be based on Nevada data to the extent that it is credible.

(b) Rate development.

(c) Analysis of credibility, and use of collateral data such as company experience in other states for similar policies, industry experience, mortality tables or morbidity tables.

(d) Certification of a qualified actuary.

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 NAC 690A.105, an insurer may file for approval for lower rates in the manner prescribed in subsections 1 and 2.

5. Rates for benefits that are substantially different than those that are listed in NAC 690A.105 to 690A.155, inclusive, must be filed for approval by the Commissioner. In determining whether a particular benefit or plan is materially different from the plans listed in NAC 690A.105 to 690A.155, inclusive, the Commissioner will give consideration to such justification as the insurer may submit. Such justification may include, but need not be limited to, the following: The amount of the benefit in relation to the amount of the insured

loan balance, the use or nonuse of exclusionary or retroactive waiting periods, the age of the debtor or debtors, the degree of underwriting used, or the coverage or exclusion of causes of loss.

Sec. 18. NAC 690A.175 is hereby amended to read as follows:

An insurer that provides consumer credit insurance shall report its experience data annually to the Commissioner, on a form prescribed by the Commissioner. The ***report must be submitted by the insurer on or before June 30 of each year and the*** initial such report must be submitted by the insurer on or before ~~[September 1]~~ ***June 30, 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 NAC 690A.105 to 690A.155, inclusive, are reasonable in relation to the benefits provided. If the Commissioner determines that the rates are not reasonable, the Commissioner will adopt new rates.