

LCB File No. R014-06

**PROPOSED REGULATION OF
THE COMMISSIONER OF INSURANCE**

NOTICE OF INTENT TO ACT UPON REGULATIONS

Notice of Hearing for the Adoption of Regulations
of the Department of Business and Industry, Division of Insurance

The Department of Business and Industry, Division of Insurance (Division), will hold a public hearing at 9:00 a.m., on March 16, 2006, immediately following a public workshop, at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701. Interested persons may also participate through a simultaneous video-conference conducted at the Bradley Building, 2501 East Sahara Avenue, Manufactured Housing Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104. The purpose of the hearing is to receive comments from all interested persons regarding the adoption of:

REGULATION CONCERNING CONSUMER CREDIT RATES

The following information is provided pursuant to the requirements of NRS 233B.0603:

1. The proposed regulation provides for new consumer credit rates for credit life insurance, credit disability, and credit unemployment.
2. The proposed regulation amends Chapter 690A of the Nevada Administrative Code (NAC) by requiring all carriers to comply with the rates adopted for consumer credit insurance; allows for a review of the rates in three years to determine if the rates are reasonable in relation to the benefits provided; and requires insurers to conduct audits every year and reviews every two years after an initial review is done.
3. Estimated economic effect of the regulation:
On the business which it is to regulate:
The proposed regulation would require an additional cost to the carriers to file their credit rates and conduct audits and reviews to comply with this regulation.
On the public:
The proposed regulation should have no economic impact on the public.
4. A statement identifying the methods used by the agency in determining the impact on a small business prepared pursuant to subsection 3 of NRS 233B.0608. The Division of Insurance regulates credit insurers that would have to file new rates. These carriers are not small business. The credit insurers may have contracts with small businesses that would have to implement the new rates pursuant to the terms of their contract. The Division of Insurance does not regulate these small businesses.

5. The Division may incur some additional expense to enforce the proposed regulation that cannot be measured at this time.
6. The Division is not aware of any overlap or duplication of the regulation with any state, local, or federal regulation.
7. The proposed regulation is not pursuant to federal law.
8. There are no federal regulations regarding these activities.
9. The proposed regulation does not establish any new fees or increase an existing fee.

Persons wishing to comment upon the proposed action of the Division may appear at the scheduled public hearing or may address their comments, data, views or arguments, in written form, to the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701. Written submissions must be received by the Division on or before March 9, 2006. If no person who is directly affected by the proposed action appears to request time to make an oral presentation, the Division may proceed immediately to act upon any written submissions.

A copy of this notice and the proposed regulation will be on file at the State Library, 100 Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the proposed regulation will be available at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, and 2501 East Sahara Avenue, Suite 302, Las Vegas, Nevada 89104, and in all counties in which an office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. This notice and the text of the proposed regulation are also available in the **State of Nevada Register of Administrative Regulations** which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653 and on the Internet at <http://www.leg.state.nv.us>. Copies will also be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary.

Upon adoption of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, will issue a concise statement of the principal reasons for and against its adoption, and incorporate therein its reason for overruling the consideration urged against its adoption.

This notice of hearing has been posted at the following locations:

Department of Business and Industry
 Division of Insurance
 788 Fairview Drive, Suite 300
 Carson City, NV 89701

Department of Business and Industry
 Division of Insurance
 2501 East Sahara Avenue, Suite 302
 Las Vegas, NV 89104

Legislative Counsel Bureau

Blasdel Building

Capitol Complex
Carson City, NV 89710

Capitol Complex
Carson City, NV 89710

State Capitol
Capitol Complex
Carson City, NV 89710

Capitol Press Room
State Capitol Basement
Carson City, NV 89710

County Clerk
Courthouse
Carson City, NV 89710

Nevada State Library & Archives
Capitol Complex
Carson City, NV 89710

Carson City Library
900 North Roop Street
Carson City, NV 89701

Churchill County Library
553 South Maine Street
Fallon, NV 89406

Las Vegas Library
833 Las Vegas Blvd. North
Las Vegas, NV 89101

Douglas County Library
1625 Library Lane
P.O. Box 337
Minden, NV 89423

Elko County Library
720 Court Street
Elko, NV 89801

Goldfield Public Library
Fourth & Cook Street
P.O. Box 430
Goldfield, NV 89013

Eureka Branch Library
10190 Monroe Street
P.O. Box 293
Eureka, NV 89316

Humboldt County Library
85 East 5th Street
Winnemucca, NV 89445

Battle Mountain Branch Library
P.O. Box 141
Battle Mountain, NV 89820

Lincoln County Library
93 Main Street
P.O. Box 330
Pioche, NV 89043

Mineral County Library
First & A Street
P.O. Box 1390
Hawthorne, NV 89415

Lyon County Library
20 Nevin Way
Yerington, NV 89447

Tonopah Public Library
171 Central Street
P.O. Box 449
Tonopah, NV 89049

Pershing County Library
1125 Central Avenue
P.O. Box 781
Lovelock, NV 89419

Storey County Library
95 South R Street

Washoe County Library
ATTN: Reference

P.O. Box 14
Virginia City, NV 89440

P.O. Box 2151
Reno, NV 89505-2151

White Pine County Library
950 Campton Street
Ely, NV 89301

Clark County Library
1401 East Flamingo Road
Las Vegas, NV 89119

Members of the public who are disabled and require special accommodations or assistance at the hearing are requested to notify the Commissioner's secretary in writing at 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, or by calling no later than 5 working days prior to the hearing, (775) 687-4270, extension 260.

DATED this _____ day of February, 2006.

By: _____
ALICE A. MOLASKY-ARMAN
Commissioner of Insurance

h:\Staff\Shared\Notice of Hearing Consumer Credit 3.16.06

**NOTICE OF WORKSHOPS TO SOLICIT COMMENTS ON
PROPOSED REGULATIONS**

The Department of Business and Industry, Division of Insurance (Division), is proposing a new regulation pertaining to consumer credit rates. A workshop has been set for 9:00 a.m., on March 16, 2006, at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701. Interested parties may also participate through a simultaneous video-conference conducted at the Bradley Building, 2501 East Sahara Avenue, Manufactured Housing Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104. The purpose of the workshop is to solicit comments from interested persons on the following general topics addressed in the proposed regulation.

This regulation adds new sections to Chapter 690A of the Nevada Administrative Code (NAC). The new sections set forth the new consumer credit rates for credit life insurance, credit disability insurance, and credit unemployment insurance; allows for a review of the rates in three years to determine if the rates are reasonable in relation to the benefits provided; and requires insurers to conduct audits every year and reviews every two years after an initial review is done.

A copy of this notice and the proposed regulation will be on file at the State Library, 100 Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the proposed regulation will be available at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, and 2501 East Sahara Avenue, Suite 302, Las Vegas, Nevada 89104, and in all counties in which an office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. This notice and the text of the proposed regulation are also available in the **State of Nevada Register of Administrative Regulations** which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653 and on the Internet at **www.leg.state.nv.us**. Copies will also be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary.

This Notice of Workshop to Solicit Comments on Proposed Regulations has been sent to all persons on the agency's mailing list for administrative regulations and posted at the following locations:

Department of Business and Industry
Division of Insurance
788 Fairview Drive, Suite 300
Carson City, NV 89701

Department of Business and Industry
Division of Insurance
2501 East Sahara Avenue, Suite 302
Las Vegas, NV 89104

Legislative Counsel Bureau
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Battle Mountain Branch Library
P.O. Box 141
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171 Central Street
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1125 Central Avenue
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Storey County Library
95 South R Street

Washoe County Library
Attn: Reference

P.O. Box 14
Virginia City, NV 89440

P.O. Box 2151
Reno, NV 89505-2151

White Pine County Library
950 Campton Street
Ely, NV 89301

Clark County Library
1401 East Flamingo Road
Las Vegas, NV 89119

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DATED this _____ day of February, 2006.

By: _____
ALICE A. MOLASKY-ARMAN
Commissioner of Insurance

LCB File No. R014-06

**PROPOSED REGULATION OF
THE COMMISSIONER OF INSURANCE**

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
DIVISION OF INSURANCE

**PROPOSED REGULATION CONCERNING
CONSUMER CREDIT INSURANCE**

AUTHORITY: NRS 679B.130, §§ 110 and 110.7 of AB 338 as enrolled.

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

Section 1. Chapter 690A of the NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 18, inclusive, of this regulation.

Sec. 2. *“Composite percentage” means an average of all percentages offered by creditors of an insurer.*

Sec. 3. *“Composite rate” means an average of all rates offered by creditors of an insurer.*

Sec. 4. *“Joint life insurance” means credit life insurance issued to two debtors who are jointly and severally liable for the debt.*

Sec. 5. *“Outstanding balance basis” means premiums are paid monthly using a rate per \$1,000 of the monthly outstanding insured debt.*

Sec. 6. *“Prima facie rates” means rates which are presumed to be reasonable in relation to the premium charged without filing additional actuarial support.*

Sec. 7. *“Single life insurance” means credit life insurance issued to one debtor who is liable for the debt.*

Sec. 8. “Single premium basis” means the present value of the monthly premiums that would be charged over the term of insurance.

Sec. 9. 1. Subject to the conditions and requirements in subsection 4 of section 9 and section 12, the credit life insurance prima facie rates shown below are considered to be reasonable in relation to the premium charged and may be used without filing additional actuarial support.

(a) *Single premium balance basis:* If premiums are paid on the basis of a premium rate per hundred per annum of actual or scheduled net debt, these premiums shall be computed according to the following formula or according to a formula approved by the Commissioner which produces rates actuarially consistent with the single premium gross balance rates in paragraph (c) of subsection 1 of section 9.

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

where:

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

$GSP_{12} = 51$ cents = Single premium gross decreasing rate per \$100 of initial gross indebtedness per year

n = Term of loan

t = Term of insurance

i = Monthly interest rate

$a_{\overline{n}|}$ = Present value of an annuity due of \$1.00 for duration n months at interest rate i

$a_{\overline{n-t}|}$ = Present value of an annuity due of \$1.00 for duration $n-t$ months at interest rate i

(b) *Monthly outstanding balance basis:* If the premium is charged on a monthly outstanding

balance basis, the rate shall be 82 cents per month per \$1,000 of outstanding insured debt on single life.

(c) Accidental Death or Dismemberment: (1) If the premium is charged on a single premium basis, the Accidental Death or Dismemberment rates are 5 cents per \$100 of insurance per annum for single life and 10 cents per \$100 of insurance per annum for joint life.

(2) If the premium is charged on a monthly outstanding balance basis, the Accidental Death or Dismemberment rates are 8 cents per month per \$1,000 of outstanding insured debt on single life and 16 cents per month per \$1,000 of outstanding insured debt on joint life.

(d) If the benefits provided are other than those described in the introduction to this subsection, premium rates for such benefits shall be actuarially consistent with the rates provided in paragraphs (a) and (b); and shall be filed and approved before use.

(e) The rates in this section are acceptable only if the coverage issued in conjunction with those rates contains no exception for a preexisting condition.

(f) If the coverage issued in conjunction with the rates in this section does contain an exception for a preexisting condition as specified in sub subparagraphs (1) and (2) of paragraph (c) of subsection 5 of section 10, an insurer may file for approval for lower rates as specified in section 12.

2. If the life coverage is sold on a joint basis, the rate for the joint coverage is computed by multiplying the corresponding single coverage rate by 1.54.

3. If the accidental death or dismemberment coverage is sold on a joint basis, the rate for the joint coverage is computed by multiplying the corresponding single coverage rate by 2.00.

4. The premium rates in subsection 1 of section 9 shall apply to contracts providing credit life

insurance that are offered to all eligible debtors and shall contain the provisions below:

(a) Coverage for death by whatever means caused, 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) Subject to the provisions of paragraph (b) of subsection 4 of section 9, a preexisting condition or conditions.

(b) For the purpose of subparagraph (3) of paragraph (a) of subsection 4 of section 9, no preexisting condition exclusion shall apply unless death is caused by or substantially contributed to by the preexisting condition and unless death occurs within 6 months following the effective date of coverage; and

(c) For the exclusions listed in paragraph (a) of subsection 4 of section 9 and paragraph (b) of subsection 4 of section 9, 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.

(d) An age restriction providing that:

(1) No insurance will become effective on debtors on or after the attainment of age 66 and that all insurance will terminate upon attainment by the debtor of age 70; or

(2) An alternate, optional provision that no insurance will become effective on debtors on or after the attainment of age 68 and that all insurance will terminate upon attainment by the debtor of age 72. If this provision is used, credit life insurance prima facie rates may be increased by 5.9% and are considered to be reasonable in relation to the premium charged without filing additional actuarial support.

Sec. 10. *1. Subject to the conditions and requirements in section 12, the credit disability insurance prima facie rates shown below are considered to be reasonable in relation to the premium charged and may be used without filing additional actuarial support.*

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

<i>Term of Loan in Months</i>	<i>Prospective Benefits</i>		<i>Retroactive Benefits</i>		
	<i>14-Day</i>	<i>30-Day</i>	<i>7-Day</i>	<i>14-Day</i>	<i>30-Day</i>
<i>1 to 12</i>	<i>1.04</i>	<i>.59</i>	<i>2.22</i>	<i>1.63</i>	<i>1.26</i>
<i>13 to 24</i>	<i>1.63</i>	<i>1.19</i>	<i>2.96</i>	<i>2.22</i>	<i>1.85</i>
<i>25 to 36</i>	<i>2.22</i>	<i>1.78</i>	<i>3.7</i>	<i>2.82</i>	<i>2.44</i>
<i>37 to 48</i>	<i>2.59</i>	<i>2.15</i>	<i>4.45</i>	<i>3.19</i>	<i>2.82</i>
<i>49 to 60</i>	<i>2.89</i>	<i>2.44</i>	<i>5.19</i>	<i>3.48</i>	<i>3.11</i>
<i>61 to 72</i>	<i>3.19</i>	<i>2.74</i>	<i>5.93</i>	<i>3.78</i>	<i>3.41</i>
<i>73 to 84</i>	<i>3.48</i>	<i>3.04</i>	<i>6.67</i>	<i>4.07</i>	<i>3.70</i>
<i>85 to 96</i>	<i>3.78</i>	<i>3.33</i>	<i>7.41</i>	<i>4.37</i>	<i>4.00</i>
<i>97 to 108</i>	<i>4.07</i>	<i>3.63</i>	<i>8.15</i>	<i>4.67</i>	<i>4.30</i>
<i>109 to 120</i>	<i>4.37</i>	<i>3.93</i>	<i>8.89</i>	<i>4.96</i>	<i>4.59</i>
<i>121 to 132</i>	<i>4.67</i>	<i>4.22</i>	<i>9.63</i>	<i>5.26</i>	<i>4.89</i>
<i>133 to 144</i>	<i>4.96</i>	<i>4.52</i>	<i>10.37</i>	<i>5.56</i>	<i>5.19</i>
<i>145 to 156</i>	<i>5.26</i>	<i>4.82</i>	<i>11.11</i>	<i>5.85</i>	<i>5.48</i>
<i>157 to 168</i>	<i>5.56</i>	<i>5.11</i>	<i>11.85</i>	<i>6.15</i>	<i>5.85</i>
<i>169 to 180</i>	<i>5.85</i>	<i>5.26</i>	<i>12.60</i>	<i>6.52</i>	<i>6.15</i>

(b) If premiums are paid on the basis of a premium rate per month per \$1,000 of outstanding insured debt, the prima facie rate per \$1,000 for single accident and health is as set forth in the table below. Rates for monthly periods other than those listed shall be interpolated or extrapolated:

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

(c) If the coverage provided is a constant maximum indemnity for a given period of time, the actuarial equivalent of paragraph (a) of subsection 1 of section 10 and paragraph (b) of subsection 1 of section 10 shall be used.

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

(e) The outstanding balance rate for credit accident and health insurance may be either a term-specified rate or may be a single composite term outstanding balance rate if the Commissioner finds that the single rate is actuarially consistent with the rates specified in subparagraph (b) of subsection 1 of section 10.

2. Subject to the conditions and requirements in subsection 5 of section 10, the prima facie rates for credit accident and health insurance shown in subsection 1 of section 10 are considered to be reasonable in relation to the premium charged where the insurance is written on an open-

end loan. These prima facie rates and the formulae used to calculate them may be used without filing additional actuarial support. Other formulae to convert from a closed-end credit rate to an open-end credit rate may be used if approved by the Commissioner.

(a) If the maximum benefit of the insurance equals the net debt on the date of disability, the term of the loan is calculated according to the formula: $1/(\text{minimum payment percent})$. The prima facie rate is determined by applying the calculated term to the rates shown in subsection 1 of section 10. A composite minimum payment percentage may be used in place of the minimum payment percentage for a specific credit transaction.

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

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

where:

i = interest rate on the account or a composite interest rate used for the type of policy;

x = monthly payment per \$1000 of coverage consistent with the term calculated above; and,

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

The calculated value of the term is used to look up an initial rate in subsection 1 of section 10.

The final prima facie rate is calculated by multiplying the initial rate by:

the adjustment n/a_n

where:

n is the term calculated above; and

$$a_n = (1 - vn)/i$$

3. If the accident and health coverage is sold on a joint basis, the rate for the joint coverage is

computed by multiplying the corresponding single coverage rate by 1.85.

4. If the benefits provided are other than those described in subsection 1 of section 10 or subsection 2 of section 10, rates for those benefits shall be actuarially consistent with rates provided in subsection 1 of section 10 and subsection 2 of section 10.

5. The premium rates in subsection 1 of section 10 shall apply to contracts providing credit accident and health insurance that are offered to all eligible persons and shall contain the provisions below:

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

(1) Normal pregnancy;

(2) War or any act of war;

(3) Elective surgery;

(4) Intentionally self-inflicted injury;

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

(6) Flight in any aircraft other than a commercial scheduled aircraft; and/or

(7) A preexisting condition.

(b) For the exclusion listed in subparagraph (7) of paragraph (a) of subsection 5 of section 10, 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.

(c) The rates in this section are acceptable only if the coverage issued in conjunction with those rates contains no exception for a preexisting condition except for a condition that:

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

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

(d) If the coverage issued in conjunction with the rates in this section does not contain an exception for a preexisting condition as specified in subparagraphs (1) and (2) of paragraph (c) of subsection 5 of section 10, an insurer may file for approval for higher rates as specified in section 12.

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

(f) No employment requirement more restrictive than one requiring that the debtor be employed full-time on the effective date of coverage and for at least 12 consecutive months prior to the effective date of coverage.

(g) An age restriction providing that:

(1) No insurance will become effective on debtors on or after the attainment of age 66 and that all insurance will terminate upon attainment by the debtor of age 70; or

(2) An alternate, optional provision that no insurance will become effective on debtors on or after the attainment of age 68 and that all insurance will terminate upon attainment by the debtor of age 72. If this provision is used, credit disability insurance prima facie rates may be increased by 1.8% and are considered to be reasonable in relation to the premium charged without filing additional actuarial support.

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

Sec. 11. *1. Each insurer filing rates for credit unemployment insurance shall include in its rate filing with the Commissioner the appropriate rate formula upon which its rates are based.*

(a) Rates shall be presumed reasonable if they do not exceed \$1.00 for \$100 of insurance per annum, paid on a single premium basis.

(b) If the credit unemployment coverage is sold on a joint basis, the rate for the joint coverage is computed by multiplying the corresponding single coverage rate by 1.85.

2. To be eligible for loss of employment income benefits, contracts providing credit involuntary unemployment insurance shall contain the provisions below:

(a) To be eligible for loss of employment 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.*

(b) Registration must:

- (1) Begin within 30 days after the date of involuntary unemployment; and*
- (2) Continue for the entire period of the claim.*

(c) The debtor will be re-eligible for unemployment benefits after the completion of payments under a loss of employment claim, if he has been employed:

- (1) On a full-time basis in a non-seasonal occupation;*
- (2) For a period of 30 consecutive days; and*
- (3) For one employer.*

3. Credit unemployment insurance policies shall not contain eligibility requirements more

restrictive than:

(a) An age restriction providing that no insurance will become effective on debtors on or after the attainment of age 66 and that all insurance will terminate upon attainment by the debtor of age 70; or

(b) An alternate, optional provision that no insurance will become effective on debtors on or after the attainment of age 68 and that all insurance will terminate upon attainment by the debtor of age 72. If this provision is used, no premium adjustment is necessary and credit involuntary unemployment insurance prima facie rates are considered to be reasonable in relation to the premium charged without filing additional actuarial support; and

(c) A requirement that credit involuntary unemployment insurance cannot be sold to individuals who do not qualify for unemployment compensation pursuant to Chapter 612 of NRS.

Sec. 12. *1. An insurer may file for approval by the Commissioner to use rates that are higher than the prima facie rates shown in sections 9 – 11, as long as the filed rates are reasonable in relation to the premium charged. If rates higher than the prima facie rates shown in sections 9 - 11 are filed for approval, the filing shall specify the account or accounts to which the rates apply. The rates shall be:*

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

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

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

2. A deviated rate will be in effect for a period of time not longer than the experience period used to establish the rate. An insurer may file for a new rate before the end of a rate period, but not more often than once during any twelve-month period.

3. Notwithstanding the provision of subsection 1 of section 12, if an account changes insurers, the rate approved to be used for the account by the prior insurer is the maximum rate that may be used by the succeeding insurer for the remainder of the rate approval period approved for the prior insurer or until a new rate is approved for use on the account, if sooner.

4. An insurer may at any time use a rate for an account that is lower than its filed rate without notice to the Commissioner unless the rate is for credit life. If credit life rates are lower than the prima facie rates shown in section 9, an insurer may file for approval for lower rates as specified in subsections 1 and 2 of section 12.

Sec. 13. *1. If an insurer specifies the formula for a refund in the individual policy or certificate of group insurance filed for approval by the Commissioner and the filing has been acknowledged and not disapproved by the Commissioner, the formula is acceptable. 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 having 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 are acceptable methods for determining the amount of a refund for the type of insurance specified:

(a) For a premium for credit insurance, if the premium is paid on the 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. Refunds may be calculated by the insurer on a daily or on a monthly basis. The insurer shall indicate the basis used when he files the formula for calculating refunds for approval by the Commissioner. Refunds may be calculated on an approximate daily basis by interpolating proportionately between the values at the beginning and at the end of the month. For this purpose, every month shall be deemed to have 30 days. If refunds are calculated on a monthly basis, a charge may not be made for a period less than 16 days after the date the last monthly installment was due, but may be made for the full month if the period is 16 days or more.

Sec. 14. *The sale or placement of credit insurance shall be subject to the Unfair Trade Practices Act of this State, as stated in Chapter 686A of the NRS.*

Sec. 15. *If any provision or clause of this regulation or the application thereof to any person or situation is held invalid, such invalidity shall not affect any other provision or application of the regulation which can be given effect without the invalid provision or application, and to this end the provisions of this regulation are declared severable.*

Sec. 16. *1. Every insurer transacting a business of credit insurance in this state shall:*

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

(b) Conduct a review of each of its accounts for creditors with respect to the business of credit insurance of the creditor to ensure compliance with this Code and the regulations adopted pursuant to it. The initial review must be conducted not later than 18 months after September 1, 2006, 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, where applicable, a determination that:

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

(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 their completion by the insurer.

4. The cost of the audit or review shall be paid by the insurer and is not 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 section 16 is not being conducted or that there is reason to believe that the audit or review is not complete or is in some manner deficient, he may cause an audit or review to be conducted by the Division or by an independent auditor. The cost of this audit or review shall be paid by the insurer.

Sec. 17. *1. The prima facie rates for credit life, disability and involuntary unemployment insurance shall be reviewed in three years to determine if they are considered to be reasonable in relation to the premium charged. If they are not, new rates shall be promulgated and effective on September 1, 2010.*

Sec. 18. *1. This regulation becomes effective on September 1, 2006.*

2. Approval of all rates and forms not in compliance with this regulation is hereby withdrawn

as of September 1, 2006. No such rates or forms may be issued after said date unless they have been submitted to and approved by the Commissioner subsequent to 60 days prior to September 1, 2006, or unless a rider approved subsequent to such date has been attached bringing the form into compliance with this regulation.

3. Any deviations thought to be appropriate by an insurer as a result of promulgation of this regulation shall be filed in accordance with the provisions of section 15 no later than July 2, 2006.

4. Any group policy issued to replace an existing group policy of consumer credit insurance or an amendment to an existing group policy of consumer credit insurance shall be ignored for the purposes of determining the anniversary date if the change is made on or after September 1, 2006.